Turning away
Will the US depart the world stage?
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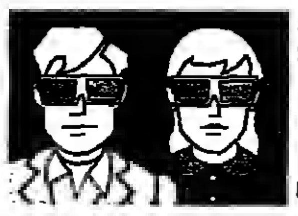

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FINANCIAL TIMES

Europe's Business Newspaper

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Greek premier to call off trial of predecessor

Greece's socialist prime minister Andreas Papandreou is calling off the trial on corruption charges of Constantine Mitsotakis, his conservative predecessor. The move is seen as an attempt to avert an early election by ensuring conservatives' backing in a forthcoming parliamentary vote. Mr Mitsotakis was charged with breach of trust and accepting a $22.5m bribe in the 1992 sale of a state-controlled concern. Page 12

Daimler explores multimedia move: German automotive and aerospace group Daimler-Benz is in talks with three big German media groups, Bertelsmann, Leo Kirch and Burda, about the possibility of setting up multimedia ventures. Page 13

Rival Kurds clash in Iraq: Rival Kurdish groups fought fiercely in the northern Iraqi city of Arbil, hindering the distribution of aid, a UN official said. Rebel Kurds kill 19 in Turkey, Page 2

Debating chamber wrecked: Fire destroyed the debating chamber at Stormont, Northern Ireland's old parliament on the outskirts of Belfast. The building was undergoing restoration and there was no suggestion of arson. Picture, Page 6

Bright forecast for British trade: The UK can expect balance of payments surpluses over the next decade, says Cambridge Econometrics. The forecasters predict that a small current account deficit in 1995 will turn into a small surplus from 1996. Page 12

Crowds turn out to greet Emperor Akihito

Some 70,000 Japanese well-wishers, many waving red and white rising sun flags, turned out at the Imperial Palace in Tokyo to greet Emperor Akihito. The emperor, dressed in morning suit and white silk tie, stood behind a [illegible] glass screen to deliver a New Year [illegible] in which he wished for peace in 1995.

Midland Bank [illegible] HSBC [illegible] UK [illegible] insurance and pen[illegible] branch network and retrain [illegible] to meet tough [illegible] rules on issues such as [illegible]. Page 13

[illegible] of the UK [illegible] to be granted per[illegible] business in Pakistan, [illegible] out of a population of 120m [illegible]

[illegible] The Norwegian freighter [illegible] sank off the Dutch coast after its crew had [illegible] on Sunday. Meanwhile [illegible] lifeboatmen who [illegible] separate rescue operation.

Orly opens to competition: Dutch and Austrian airlines landed south of Paris as France opened Orly Airport to further international and domestic competition. France had resisted EU orders to open the airport, arguing that state-controlled carrier Air France needed time to restructure and reduce its losses.

German call for late shopping: Karstadt, Germany's biggest retail group, is asking the Bonn government to let stores in the country stay open late every weekday. Page 12

Barry back again: Marion Barry was sworn in again as mayor of Washington – four years after being forced from the office in disgrace. Barry faces a $500m budget deficit.

Poland bans tobacco ads: Poland imposed a ban on radio and television advertising of tobacco. The ban extends to publications aimed at the young. Walesa refuses to accept resignation, Page 2

English language paper folds: The Bohemian Daily Standard, the Czech Republic's first daily English-language newspaper, collapsed after less than six weeks. American expatriate publisher Erik Best said the paper's market had proved too small.

Language tensions surface in Belgium: Flemish nationalists tried to storm the first meeting of a new Belgian provincial council to protest at the presence of French speakers.

Somali ex-president dies: Mohamed Siad Barre, Somalia's president for 22 years, died in Nigeria where he eventually went into exile after a coup in 1991. Page 3

Poisoned chalice: Champagne spiked with cyanide killed up to 10 New Year revellers in the central Asian republic of Tajikistan. Reports said the dead included six Russian servicemen, the wife of a Russian embassy worker and three local people.

Ireland debates drink-drive laws: Irish environment minister Brendan Howlin is to meet interested groups from both sides of a row over tough new drink-drive laws which cut road accidents over the Christmas and New Year holiday – but cut some pubs' trade by as much as 70 per cent.

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.50
Bulgaria	Lev100.00	Iceland	IKr200	Neth	R 4.25	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Nigeria	Naira60	S. Africa	R12.00
Czech Rp	CZK65	Israel	Shk7.50	Norway	NKr18.00	Spain	Pta225
Denmark	DKr17	Italy	L3000	Oman	OR1.50	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.80
Estonia	EKr 30	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
Finland	FM18	Kuwait	Fils 625	Poland	Zl 42,000	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50	Portugal (mainland)	Es225	Turkey	L40,000
Germany	DM3.60	Lux.	LFr70			UAE	Dh12.00

Palestinians condemn new Israeli housing project

By Eric Silver in Jerusalem

Palestinian leaders last night attacked the Israeli government's decision to allow housing to be built near the Jewish township south of Bethlehem. The Israeli government has, however, decided to halt construction of Jewish homes on a contentious hilltop near the West Bank settlement of Efrat.

While compromising with the settlers, Mr Yitzhak Rabin, the Israeli prime minister, has provoked a new confrontation with the Palestinians, who warned him last week that the 500-home project endangered the peace negotiations.

An Israeli official admitted last night that the suburb would resemble a new settlement rather than the expansion of an existing one within its own borders.

Mr Sa'eb Erakat, local government minister in the Palestinian National Authority, said: "Mr Rabin cannot solve the issue by moving his bulldozers from one hilltop to another.

"The issue is not just this project. There is at the moment a massive campaign of settlement activity on the West Bank from Tulkarm in the north to Ramallah and El Bireh in the centre and Jerusalem and Hebron in the south.

"Mr Rabin proved today that the issue is not legal, but political. He and the Israeli people have now to choose between settlement and peace."

Like other Palestinian spokesmen, Mr Erakat stopped short of threatening to break off negotiations. They do not want to be blamed for killing hopes for peace. But they insist that without a comprehensive freeze upon Jewish settlements, of the kind Mr Rabin imposed on government building when he assumed office in 1992, there can be no progress.

The fate of the settlements is to be discussed in the "final status" negotiations for the Palestinian territories, not later than 1996.

"What we need to stop," Mr Erakat insists "is not the negotiations, but the settlements. With each step the settlers take, the negotiations become meaningless. The bulldozers are burying the peace process.

"We want to give this peace a chance. But the thrust of the issue is land; the gradual termination of the occupation. If Mr Rabin decides to settle the issue by adding more settlements, what is there for us to negotiate about?"

The tug-of-war began early last week when bulldozers started clearing the 125-acre site. Arab farmers from the neighbouring village of al-Khader claimed that the rocky land was theirs. The Efrat settlers counter-claimed that they had bought some of it and that the rest was "state" land, which they interpreted as meaning Israeli state land.

They had been given permission to build by the previous rightwing administration of Mr Yitzhak Shamir.

Mr Rabin seemed last night to have alienated everybody.

Ministers from his liberal-left Meretz coalition partners angrily

Continued on Page 12

Moscow delegation alleges mass murder in Chechnya

Rebels halt advance of Russians in Grozny

By John Thornhill in Moscow

Chechen resistance fighters last night appeared to have driven Russian troops from the centre of the capital Grozny, leaving Moscow with the decision either to escalate the conflict or order a humiliating withdrawal.

A Russian parliamentary delegation, which had just returned from Grozny, contradicted earlier defence ministry claims that their forces were in "full control" of the city. The deputies, drawn from reformist parliamentary groups, said Russian forces, which launched a ferocious assault on the capital on New Year's eve, had suffered a "crushing defeat", with hundreds of servicemen killed and as many as 100 tanks damaged or destroyed.

But they also said the government was concealing the truth about Chechen losses. "We are talking about mass murder tantamount to genocide," the delegates said in a statement. "Thousands of innocent people have died, tens of thousands made homeless."

The Russian forces, which appear consistently to have underestimated the strength of the Chechen resistance, said they were "regrouping", but maintained a steady bombardment of the city. Russian government officials said Chechen forces were resisting from more than 50 strongholds, but said the delegation's estimates of the number of casualties were "grossly exaggerated".

Before sending troops into Chechnya to end the Caucasian republic's three-year bid for independence, General Pavel Grachev, the defence minister, boasted that one Russian airborne division would be sufficient to pacify Grozny in two hours.

Witnesses in Grozny said the palace of President Dzhokar Dudayev remained in Chechen hands and had not fallen to the Russian forces, as had been claimed.

Several burnt-out Russian tanks and the charred bodies of half a dozen dead soldiers were visible in Grozny's main square, reporters said. Jubilant Chechen fighters, waving the country's green, white and red flag, drove round the city centre in captured Russian tanks.

The intensity of the fighting has led to increasing concern

Continued on Page 12

Page 2

■ Russia's liberals in the cold as Chechnya hardens hearts

Running for cover: Chechen civilians flee during an air raid near a burning gas pipeline amid the ruins of a neighbourhood of the capital Grozny recently subjected to an intensive land and air assault by Russian forces

Picture: Reuter

Mexico lines up $18bn credit to bolster peso

By Stephen Fidler and Ted Bardacke in Mexico City

The Mexican government has put in place a financial package totalling more than $18bn from foreign governments and banks to support an emergency economic plan aimed at limiting the damage from last month's surprise devaluation of the peso.

The financial package comprises a $9bn credit from the US government – an increase on the $6bn previously available – as well as a $5bn credit line from other "friendly" governments arranged through the Bank for International Settlements in Basle, C$1.5bn from the government of Canada, and $3bn from international banks.

Mr William Rhodes, the Citicorp vice-chairman, confirmed yesterday that a credit of $3bn was being arranged with banks.

"A group of major international banks is in detailed discussion with the government of Mexico for a line of credit of approximately $3bn, which will be part of the stabilisation fund. We expect to conclude the arrangements shortly."

Citicorp is arranging the loan with J P Morgan, the US bank.

The financial package is an important part of the stabilisation plan which was due to be announced late last night by Mexican President Ernesto Zedillo.

The details of a new accord between the government, business leaders, and unions to limit the inflationary impact of the devaluation were also expected to emerge late yesterday.

Mr Rogelio Ramirez de la O, who heads the economic consultancy Ecanal, said that sizeable financial backing for the stabilisation plan was necessary to give it credibility with international investors, given the pessimism generated by the devaluation.

It had to be large enough to assure investors in so-called *Tesobonos* – short-term dollar-denominated securities issued by the central bank – that they would be repaid on time.

Some $16.9bn of *Tesobonos* mature in the first half of this year.

Mr Zedillo's speech was expected to announce public spending cuts, privatisations, further deregulation, and the opening of the financial sector to foreigners.

The aim is to bring the current account deficit down in a controlled way to less than half its level of nearly $30bn this year.

The Mexican stock market was down 0.7 per cent at midsession yesterday.

The peso weakened to 5.125 to the dollar, from 5.025 on Friday night.

Dealers said, however, that trading was light ahead of Mr Zedillo's speech and because the New York financial markets were closed.

Brazilian banks resume trading ....Page 4

Missile attack on Sarajevo as Bosnian Croats sign truce

By Laura Silber in Belgrade and Bruce Clark in London

Bosnian Croats yesterday became the third warring party in the republic to sign a ceasefire accord - but its fragility was underlined by a rocket attack on Sarajevo's Holiday Inn, the hotel where most foreign visitors stay.

The Croat signature came amid intense efforts by international mediators to consolidate the truce in Bosnia – intended to last four months – and prevent a renewed war breaking out in neighbouring Croatia.

Bosnia's Moslem-led government blamed the Serbs for the rocket attack, which struck the hotel's seventh floor but caused no casualties. United Nations officials said they could not tell who was responsible.

Mr Haris Silajdzic, Bosnian prime minister, said the assault was an effort to press his government into accepting a settlement on terms favourable to the Serbs.

Before yesterday's signature of the truce, the Bosnian Croats had been reluctant to put down their weapons because of recent successes in heavy but little-noticed fighting against the Serbs in south-western Bosnia.

Western diplomats say the next stage of the peace process may involve a second visit by former US president Jimmy Carter who initiated moves towards the truce before Christmas.

The Bosnian government and Bosnian Serbs were supposed to stop fighting from Sunday, and UN officials said the truce was holding fairly well in most parts of the republic.

General Sir Michael Rose, UN commander in Bosnia, hailed yesterday's Croat decision to join the ceasefire. "I am delighted that we now have the signatures from all three sides," he said.

In London, a Foreign Office official also welcomed the deal but said there was an urgent need to use the four-month truce as an opportunity to work out a longer-term settlement in Bosnia.

Mr Douglas Hurd, UK foreign secretary, had conveyed this message to Mr Boutros Boutros Ghali, UN secretary-general, over the weekend.

Mediators acknowledged yesterday that some important pieces in the jigsaw were still missing. They were putting strong pressure on the rebel Serbs of Croatia, who could disrupt any efforts to bring peace to the region.

General Bertrand de Lapresle, commander of UN troops in former Yugoslavia, held talks at Zagreb airport yesterday with Mr Borislav Mikulic, a Croatian Serb leader from Krajina. Two other senior mediators – Mr Thorvald Stoltenberg of Norway and Britain's Lord Owen – later visited the Croatian Serb stronghold of Knin.

Croatia has warned that unless the rebel Serbs on its territory recognise its authority, it may refuse to renew the mandate of the 15,000 UN peacekeepers which have kept the two sides apart since war in the republic subsided in 1992.

General Janko Bobetko, Croatian military commander, said last week he "would not be surprised" by a "swift and energetic" operation to regain the territory which is now controlled by rebel Serbs.

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Warning on chemical costs

By Andrew Fisher in Frankfurt

Germany's chemical industry compares poorly with its main competitors in terms of prodnctivity, costs and growth, the industry employers' association (BAVC) said in a statement made with one eye on the next wage round.

West German companies bad the highest labour costs, which were not offset by productivity increases. Between 1985 and 1993, prodnctivity growtb was the lowest among the main chemical prodncing countries, it said.

Germany's prodnctivity increase was only 14.2 per cent in this period, well behind the UK wblch headed the list with 49 per cent, France with 40 per cent and Japan with 32.5 per cent. Also well ahead of Germany were the US and Italian chemical sectors with growth of 25 per cent each.

However, the BAVC said 1994 had seen the start of an improvement in the German industry.

Results from the big German chemical gronps show a steep rise in profits, with Hoechst gaining 83 per cent at the pretax level in the first nine months, Bayer 32 per cent and BASF 99 per cent.

In view of the structural challenges facing the sector, the BVAC called for a "sensible" wage settlement in 1995. IG Chemie-Papier-Keramik, the industry's trade union has pnt in a claim for between 5 and 6 per cent for the 700,000 employees in the west German industry.

Highlighting the competitive strength of foreign companies, the BAVC said the German chemical industry compared poorly in terms of actual pro

> Productivity growth in west Germany 'the lowest among main chemical producers'

ductivity levels as well as in productivity growth rates.

Turnover per employee in 1993 was DM348,500 (£144,000) in the west German industry against DM482,000 in the US and DM829,000 in Japan. The German level was also below that of important competitor countries such as France, Switzerland and Italy. Only Britain was behind Germany, but the gap is being closed.

As in other industries, Germany's labour costs in the cbemical industry lead the world. The BAVC said hourly lahour costs were nearly DM60, just ahead of Japan with DM58. The figure for the US industry was DM35 compared with France's DM48, Britain's DM34 and Italy's DM36. It gave no figure for Switzerland, where labonr costs are also high.

Commenting on worldwide growth levels in the industry in 1985-93, the BAVC said Germany lagged behind Japan, France, the UK and the US bnt was ahead of Italy.

Walesa refuses to accept minister's resignation

By Christopher Bobinski in Warsaw

Polisb president Lecb Walesa said yesterday that he would not accept the resignation of Mr Andrzej Olechowski as foreign minister and asked him to resume his duties.

Mr Olecbowski, who has taken leave of absence from the new year, welcomed the statement but said that he was still waiting for the issue on which he had offered his resignation to be resolved.

Mr Waldemar Pawlak, the prime minister, last night had yet to say whether he accepts Mr Olechowsk's resignation.

Mr Olechowski is demanding that the courts rule on whether he broke the law by continuing to bead the board of the state-owned Bank Handlowy while holding public office. He said at the new year that he would not be carrying out his duties until the court ruling, which is expected in the middle of this month.

Mr Olechowski made the move after his name appeared on a list of government officials who also hold paid directorships of state-owned companies. The resignation has left a void at the top of the foreign ministry amid a deepening conflict between the president and tbe government over the still vacant post of defence minister.

Mr Walesa yesterday told Mr Pawlak that he would agree to no other candidate than Mr Zbigniew Okonski whom he is seeking to have appointed as defence minister against the governing coalition's wishes.

Under Poland's interim constitution, government appointments have to be agreed between tbe president and prime minister and this has given rise to frequent turf wars as Mr Walesa seeks to establish a dominant hold over three ministries – defence, internal and foreign affairs.

A Polish shopkeeper displays nuts showing the new and old zloty prices yesterday after Poland sliced four zeroes off its currency from Jannary 1. Prices will have to be displayed in the two denominations for the next two years

■ Hungary's communist-era forint coins will go out of circulation on June 30 this year, the National Bank of Hungary said yesterday. The central bank also announced a 1.4 per cent devalnation of the currency, with analysts forecasting a heavier one later this month. Reuter

Kurdish rebels kill 19 in Turkey

Rebel Kurds have killed 19 people, mostly women and children, in a raid on a village in south-east Turkey, Reuter reports from Ankara.

Turkish officials said yesterday the guerrillas, who raided Hamzali village in Diyarbakir province at tbe weekend, killed eight women, seven children and four men. Six others were wounded.

The rebels of the separatist Kurdistan Workers party (PKK) abducted three men as they fled in the dark.

Troops were combing tbe area in a searcb for the guerrillas.

Hamzali is one of the villages in sonth-east Turkey whicb refuse to support the rebels and provide men to serve as village guards paid by the government. They are often the target of PKK attacks.

"They attacked Hamzall because tbe village did not support them. It was a guard village," one official said.

President Suleyman Demirel reacted angrily to news of the attack.

Mr Demirel said he wanted to "bring this savagery before the attention of our people and of the world."

"I ask everyone to refrain from supporting this movement [PKK] directly or indirectly," Mr Demirel said. "This incident which deprived 19 of our citizens of their right to live is tbe ultimate violation of human rights."

Turkey itself faces strong western criticism for alleged human rights abuses, mostly in the south-east where troops have been fighting PKK guerrillas since 1984.

More than 14,000 people, including 3,500 civilians, have been killed in the PKK's 10-year-old fight for a separate Kurdish state in the south-east of the country.

Opening seen in Dutch energy

A study that large Dntch electricity consumers have commissioned from Britain's National Power could hreak open the state-dominated Dutch energy sector, according to the Hoogovens metals group, Reuter reports from Amsterdam.

National Power has examined prospects for building a 1,000MW power station, equivalent to about 6 per cent of Dutch electricity capacity, said Mr Henk de Jong, a Hoogovens director.

Hoogovens consumes hnge amounts of energy to produce steel and aluminium, but has labonred nnder high electricity prices, added Mr De Jong, wbo heads its Delfzijl aluminium smelter.

"We are looking at savings of at least 20 per cent," he said.

A decision on building the plant could be taken this year. Mr De Jong said Hoogovens' long-term energy contract with gas prodncer Nederlandse Gasunie and tbe Dntch state-owned electricity generators expired at the end of 1998.

He said Hoogovens' aluminium smelter would be a "significant consumer" of the plant's ontpnt and that a consortium was being pnt togetber witb electricity demand patterns which fitted well.

The selection of the privatised National Power to undertake the study was no coincidence, becanse the consortium, whose Dutch and foreign members he declined to identify, was in favour of a more liberal European energy market.

"One of the advantages of such an approach is that you can secure long-term energy snpply agreements that are not really possible under current arrangements," Mr De Jong added.

The construction of the power plant could secure the future of the Delfzijl aluminium smelter where returns have been squeezed by high energy prices. Mr De Jong declined to comment on the possihle valne of the project, or on whether a contract would automatically go to National Power or be pnt ont to tender.

He said the Dntch government was concerned that power-generation overcapacity might resnlt from the construction of a large independent power project in the Netherlands.

Cold war: Russian soldiers and tanks besieging a target in Chechnya Picture: Reuter

Liberals in the cold as Russia hardens line

John Thornhill on the new mood over Chechnya

Mr Yegor Gaidar, the former prime minister, who remains one of Russia's foremost liberal politicians, uttered a seemingly alarmist warning when troops entered Chechnya three weeks ago.

If the action sparked a war, he said, "we will, with absolute certainty, see the collapse of democratic institutions in Russia within a few months".

As hundreds die in the conflict that has engulfed the hreakaway region, there are signs that things are moving in just the direction feared hy Mr Gaidar.

The political mood in Moscow has changed markedly in recent weeks. President Boris Yeltsin is growing more isolated and unpopular, distancing himself from his former liberal supporters, and increasingly relying on his own presidential administration and the "power ministries" of defence, interior and counter-intelligence.

A panel of political experts, regularly polled by NTV, the independent television channel, highlights a significant shift in the perceptions of who wields political power.

In the latest poll shown on Sunday, the experts continued to rank Mr Victor Chernomyrdin, the prime minister, as the most infinential politician in the country after Mr Yeltsin. But no other government minister who could be considered vaguely liberal or reformist made it into the top 10.

Mr Gaidar, wbo heads the Russia's Choice grouping in parliament, fell to 10th position.

The big gainers in the poll were the members of Russia's security council, a secretive body which has been orchestrating policy towards Chechnya and which many commentators liken to the Soviet politburo.

Also seen as gaining influence were the shadowy figures whose main distinction is their close proximity to the president.

Mr Victor Ilyushin, a presidential aide, and Mr Alexander Korzhakov, head of Mr Yeltsin's security apparatus, who are unelected and largely unaccountable, were seen as the most powerful men after Mr Chernomyrdin.

The liberals, meanwhile, are also distancing themselves from Mr Yeltsin in a way that may ensure that their prophecies of gloom are self-fulfilling.

Russia's Choice, the liberal parliamentary faction which has been sharply critical of the use of force in Chechnya, has withdrawn its support for the president.

It is also considering pulling its four representatives out of the government: Mr Anatoly Chubais, the first deputy prime minister, Mr Victor Danilov-Danilyan, the environment minister, Mr Boris Saltykov, the science minister, and Mr Yuri Sidorov, tha culture minister.

The possible withdrawal of these ministers – particularly Mr Chubais, the mastermind of Rnssia's privatisation programme – could deal a heavy blow to the government's reformist credentials.

The liberals suggest that the authority of some of these ministers is already being undermined.

Mr Vladimir Polevanov, who succeeded Mr Chubais as head of the privatisation agency, has implicitly attacked his predecessor and spoken of tha need for re-nationalisation.

Mr Oleg Soskovets, a first deputy prime minister of conservative bent, has also criticised aspects of the privatisation programme, which had been hailed as the one great achievemant of Russian reform.

The Izvestiya newspaper quoted one of the privatisation agency's employees as saying that they felt a bomb was ticking in the building.

An ominous sign of a general hardening in the Kremlin's line is the tough stance it has taken towards other ex-Soviet republics that have criticised Russian policy in Chechnya.

A diplomatic row has erupted with Ukraine following Russian accusations that Ukrainian nationalists have been backing the Chechen regime.

Mr Gennady Udovenko, the Ukrainian foreign minister, rejected the claim but was sufficiently alarmed to warn Moscow "to refrain from playing out the Ukrainian card in the wake of of the Chechnya conflict".

He accused Russia of using "incorrect and tactless terminology from the arsenal of the repressive Stalin regime".

The Russian foreign ministry has also been quick to condemn the Baltic states which had the temerity to criticise its Chechen policy.

A formal protest from the Estonian foreign ministry about human rights violations in Chechnya met with a stinging response from their Russian counterparts.

"This is not the first time that the Estonian foreign ministry has lost its bearings about Russian developments," an official said.

Some pro-Yeltsin politicians still insist that the political passions inflamed by war will die down once the crisis is resolved.

Mr Sergei Filatov, the Kremlin's chief of staff, predicts that the rift between the president and the democrats will be only temporary. Once the Chechen crisis is over, the democrats will re-pledge their support for Mr Yaltsin as elections approach and they realise that all other viable presidential candidates would be far more inimical to democracy.

Mr Andrei Kozyrev, the foreign minister, who quit Russia's Choice over its policy towards Chechnya, also argues eloquently that democracy is not dead and that there was no alternativa to force in Chechnya, given Russia's need to assert its statehood.

Russia's liherals respond that they accept the need for the state to assert itself; but they are nervously wondering what sort of state Russia is becoming.

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INTERNATIONAL NEWS DIGEST

Investment blow to Sri Lanka

Ansell, the Australian rubber products company, is closing its A$200m (£100m) venture in Sri Lanka because of labour unrest and is to move production to Burma. Ansell Lanka, operating in the free trade zone near Colombo, the capital, employed several thousand workers producing surgical gloves out of local rubber. The move is a blow to the five-month-old People's Alliance government of President Chandrika Kumaratunga.

Australian officials blame Mr Mahinda Rajapakse, labour minister, for attempting to set up a party-affiliated trade union at Ansell. Unions are prohibited in the export promotion zones established by the conservative United National party which lost power in last August's election. Violent labour disputes have recently hit two other foreign ventures, Korea-Ceylon Footwear and the Japanese-controlled Noritake-Lanka Porcelain. A new year's eve strike at the Ramada hotel heralded possible further disruption in the tourism sector; the country is witnessing the largest number of tourist arrivals since 1982.

In a further outbreak of unrest directed at foreign installations, a Voice of America relay station under construction north of Colombo has been attacked by villagers. The project has been the target of a campaign led by the local Catholic bishop supported by Buddhist clergy, environmentalists and farmers and fishermen. *Mervyn de Silva, Colombo*

Malaysian deal in Cambodia

Ariston, a Malaysian private company, yesterday signed a $1bn (£600m) deal to develop a tourism and infrastructure project in Cambodia. The agreement constitutes the largest single investment to date in Cambodia, making up the bulk of the $2bn in investments approved since the ratification of the country's new investment law in August last year. Ariston, controlled by Malaysian entrepreneur Chen Lip Keong, said the project would serve as a catalyst for other Malaysian companies to invest in Cambodia.

Mr Chen said the first step would involve turning Sihanoukville's domestic airport into Cambodia's second international air gateway and the construction of a hotel and casino resort which will take about three years to complete. The project also included a highway linkage from the airport to Sihanoukville port, a power plant with maximum capacity of 100MW to supply the Sihanoukville area, water supply and treatment, a sewerage system, an industrial estate, and commercial and residential development. Most of the infrastructure projects have been awarded on a build-operate-transfer basis for a 15-year period. *Reuter, Kuala Lumpur*

Construction group thinks big

A proposal by an Australian company to build the world's tallest office building in Melbourne – a city with 24 per cent office vacancy – won support from the Victoria state government yesterday. Mr Pat McNamara, Victoria's deputy premier, said the proposal by the Grollo construction group to build the 500-metre building reflected a "new spirit of enthusiasm" in the state, which was hit badly by Australia's recent economic recession. "I think this is a terrific vote of confidence in Melbourne – it's not something that would have been considered a couple of years ago," he said.

The construction group's chief executive, Mr Bruno Grollo, said on Sunday he wanted to build a three-sided gold tower, representing the sun and the moon and the planets and stars. The tower, which would cost more than A$1bn (£500m), would proceed if the Grollo group could fill the tower's office space, he said. He said that Mr Jeff Kennett, the Victoria premier, had pledged to help by providing public service tenancies. The Sears Tower in Chicago, at 443 metres, is currently the world's tallest building. Australia's tallest building is the 253-metre Rialto Tower in Melbourne. *Reuter, Melbourne*

Ousted Somali president dies

Former Somali president Mohamed Siad Barre, left, has died in exile in Nigeria. In Mogadishu, the Somali capital, a United Nations spokesman said Mr Barre had died from a heart attack. Mr Barre, who seized power in a 1969 coup, was toppled in January 1991 by forces loyal to faction leader Mohamed Farah Aideed and the man who declared himself president after Mr Barre left, Ali Mahdi Mohamed. Mr Barre fled from Mogadishu but held on to southwestern parts of the country which his son-in-law and Mr Mohamed Siad Hersi, former defence minister, known as "Morgan", controlled.

When he was overwhelmed, he fled to Nairobi in May 1992 but left for Nigeria two weeks later after Kenyan opposition groups complained the government was paying Mr Barre's bills at a luxury hotel. After Mr Barre's defeat heavy fighting broke out in Mogadishu between supporters of Mr Aideed and Mr Ali Mahdi that carved the city in two, killed 30,000 people and led to a famine that killed 10 times that number. A US-led multinational task force landed on the beaches of Mogadishu in December 1992 to stop the fighting and open up food corridors. Mr Barre, aged about 84, is survived by two wives and 19 children who are scattered around the world. *Reuter, Mogadishu*

Life insurance go-ahead

The cabinet of Pakistan's prime minister Benazir Bhutto yesterday decided to allow foreign companies to do life insurance business in the country and gave immediate permission to one concern, a government spokesman said. He said Britain's Commercial Union Assurance, which was given permission, would have a $4m (£2.5m) capital base in Pakistan. The decision would bring foreign investment and promote competition. The spokesman said Pakistan had only 2m people with life insurance policies in a population of 120m. However, he said the government did not expect foreign companies to take more than 12 per cent of the total life insurance business in the country. Their share was 11 per cent before Pakistan nationalised life insurance in 1972, a decision reversed last year. *Reuter, Islamabad*

Indonesia taxes stock sales

Indonesia has imposed an income tax of 0.1 per cent on the transaction value of stocks selling on its exchanges with immediate effect, the state secretariat said. The 0.1 per cent is levelled against the transaction value for all stock sellers, while a further 5 per cent is levelled on founding shareholders if they liquidate their stocks. The tax is to be collected on a monthly basis. Brokers said the tax was in lieu of capital gains tax which was objected to by market participants for being excessive and difficult to process. Brokers said it was unclear how foreign investors would be treated under the new rules. *Reuter, Jakarta*

Death of former Sabah leader

Tun Mustapha Harun, a one-time office orderly who helped lead Sabah out of British control and into Malaysia, died yesterday of a heart attack in the Sabah state capital, Kota Kinabalu. He was 76.

Tun Mustapha became Sabah's governor when the territory, formerly British North Borneo, became part of the Malaysian federation in 1963. Resigning that post, he won the state's highest elective position, chief minister, in 1967. He was the first member of the United Sabah National Organisation, which governed Sabah from 1967 to 1976. He became a member of the dominant national party, the United Malays National Organisation, in January 1991 but later broke away after political disagreements. *AP, Kuala Lumpur*

Bankers and economists welcome 'realistic' package that deepens the revenue base

Saudi budget aims at 6% spending cuts

By Mark Nicholson, Middle East Correspondent

Saudi Arabia's budget package of spending cuts and measures to deepen the government's revenue base was welcomed yesterday by bankers and economists as sensible, realistic and likely to shore up international confidence in the economy of tha world's largest oil exporter.

The kingdom's annual budget, unveiled on Sunday, aims to cut government spending by just over 6 per cent this year, following a targeted cut in state expenditure of 20 per cent for 1994.

State coffers, meanwhile, are to be boosted through rises in electricity tariffs, gasoline prices and visa fees.

The budget is a clear attempt to put the country's finances in order after more than a decade of budget deficits, recently averaging nearly 10 per cent of gross domestic product – a result of weak oil prices, the costs of the Gulf war and a previous disinclination among Saudi rulers to attack the high recurrent costs of one of the world's most highly subsidised welfare states.

"What's important is the attempt to cure the structural imbalances in the budget for the first time," said Mr Henry Azzam, chief economist with National Commercial Bank in Jeddah, the country's biggest.

According to the Finance Ministry statement, revenues are projected to rise to SR135bn (£23bn) from SR120bn in 1994, with spending to be cut to SR150bn from the budgeted SR160bn last year.

This would cut the budget deficit to SR15bn in 1995: more than halving the 1994 deficit, put at SR40bn, and bringing the fiscal gap down to less than 3.5 per cent of GDP.

"It's positive, measured and will go down well on international markets," said one western economist in Riyadh.

The budget gave no indication of the kingdom's oil price assumptions for 1995, hut economists said they believed the Finance Ministry had made a highly conservative assumption based on current prices. "There's plenty of room for a much better outturn than they're predicting," said one economist. Oil sales account for more than 90 per cent of state income.

Neither did the budget indicate how much new subsidy cuts and price rises might add to overall revenues.

However, revenues will be helped by a near doubling of petrol prices, which have already taken effect, from SR0.33 e litre to SR0.6. Also, electricity prices for those consuming more than 2,000kW hours a month – mostly big commercial users – have been increased on a sliding scale such that users of more than 6,000 kW hours will pay four times the previous flat rate of SR0.05.

The price rises are designed to leave most domestic users untouched, while introducing some rationalisation in power pricing for commercial users. This, said economists, would not only help to alleviate recent shortages in many of Saudi Arabia's big industrial centres, hut increase the profitability and borrowing ability of the state-run power companies, all of which face big demands for fresh investment.

In addition, the government has substantially increased the cost of visas for foreign workers, to SR1,000 each – a move designed not only to raise revenues but also to help contain the number of overseas workers in the country, at present more than 4m.

Economists said the hudget was likely to leave growth flat for 1995 after an official figure of 0.6 per cent growth in the economy for 1994.

However, much will depend on oil prices for the year and on the performance of the private sector, which the government said grew by 4 per cent in 1994 and remains buoyant in sectors not dependent on government contracts.

Private contractors, and their stretched bankers, will also have been cheered by a formal undertaking to make a priority of repaying delayed government debts on state contracts. King Fahd himself ordered an immediate attempt to clear the backlog of debts to domestic creditors.

Militants kill eight policemen in Egypt

Suspected Islamic militants disguised as policemen shot dead eight policemen and wounded at least two others yesterday in four separate attacks in sonthern Egypt, security officials said, Reuter reports from Cairo.

Three civilians were also killed and four injured in the attacks which took place within one hour of each other near the Nile valley town of Mallawi, 260km sonth of Cairo, the officials said.

The death toll was one of the highest in one day since Egypt's political violence flared in 1992 between Moslem militants bent on setting up a purist Islamic state and the government of President Hosni Mnbarak.

In all the attacks, gunmen stopped buses on the main road out of Mallawi to search for policemen on their way to work. The Nile Valley town has been the focus of persistent violence between Islamic militants and police for several mooths.

The gunmen, in separate attacks, boarded three minibuses and killed three policemen after examining the identity papers of passengers, the security officials said. The gunmen took the policemen's weapons and escaped.

The attacks hring to nine the number of policemen killed by militants in the first two days of 1995 and to 670 those killed in political violence since 1992.

Security officials in Mallawi suspect the gunmen are members of Egypt's largest militant organisatioo the Gama'a al-Islamlya (Islamic Gronp), which has been targeting policemen in southern Egypt for two years.

The attacks took place in the villages of al-Roda, Ezbet al-Tahnt, Sangerg and Umm Kommos oear Mallawi, which became a focus of militant-police clashes at the end of last year, the security sources said.

In a similar attack at the weekend, militants hauled a policeman ont of a bus near Mallawi and shot him dead in front of horrified passengers, the officials said.

France caught in Algerian crossfire

John Ridding on how Paris approaches its former colony's civil war

Charles Pasqua (left) favours a hard line, Alain Juppé (centre) seeks an Algerian dialogue, while Eduard Balladur weighs the risks

The relief which followed last week's successful rescue of a hijacked Air France airliner from Islamic militants has faded fast. The murder of four Catholic priests in Algeria in a reprisal, and the warning by a radical Moslem group last Friday of further attacks against French interests, have demonstrated the extent to which France is ensnared in the civil war in its former colony.

For the government of Mr Edouard Balladur, the prime minister, the decisions it now faces are at least as complex and risky as the spectacular hijack rescue. Confronted with what the French media are describing as "France's second Algerian war", it must determine how to shape future strategy towards the government in Algiers and its Islamist opponents.

The significance of this scrutiny extends beyond France's tormented colonial legacy. Other western governments are anxious about the spread of Islamic fundamentalism in the Maghreb and an increase in international terrorism. Southern European states, notably Spain and Italy, fear a flood of immigrants. At a time when France, Spain and Italy are embarking on successive presidencies of the European Union and are seeking to shift the focus of the EU towards the Mediterranean, the ability of Mr Balladur and his government to manage their relations with Algeria takes on still greater importance.

Management of bilateral relations have so far been characterised by conflicting policies. Mr Alain Juppé, foreign minister, favours encouraging the military-backed regime in Algiers to seek dialogue with its Islamist opponents. Mr Charles Pasqua, interior minister, who rejects the notion of a moderate Islamic government and sees little mileage in dialogue, has championed a hard-line approacb, involving a domestic crackdown on Moslem militants and support for Algeria's generals.

Behind such policies lies a commoo objective. As Professor Rémy Leveau of the institute of political science in Paris puts it: "French policy has been dictated by domestic political considerations. The aim is to prevent a collapse of the Algerian regime and the spread of the conflict and immigrants to France." This, he says, would fuel support for extreme-right wing politicians in the run up to spring's presidential polls.

The cracks in this policy are, however, increasingly apparent. In particular, Mr Pasqua's tough line has brought France into the Islamists' firing line. "Pasqua is the solution and also the prohlem," says Mr Dominique Moisi, deputy director of the French Institute for International Relations. For some the result is increasing pressure to re-think policy in Paris.

The immediate response to the hijacking and the subsequent threats has heeo to tighten security. But there are some signs of a hroader adjustment. Following the hijack drama, Mr Balladur and Mr Juppé have sought to assert France's neutrality in the conflict.

Mr Juppé talked of tensions with the Algerian government during the crisis and issued a thinly veiled criticism of the cancellation of general elections in 1992 which the Islamic Salvation Front (FIS) was poised to win. "It is oecessary to accept the rules of democracy and the basic rule of alternance. When one wins the elections that is fine. But when one loses then you go," said Mr Juppé.

At the moment, it is words rather than deeds that are changing. Mr Juppé, has indicated that economic relations and support "for the Algerian people" will not be affected. But for many observers, there is the need for, and ultimately the prospect of, more substantive change.

"There must be a shift in policy," says Ms Séverine Labat, an Algerian scholar at CERI, the French international relations institute. "There can be no solution without dialogue with the FIS." This, she argues, can he encouraged through economic levers. "The rescheduling of Algeria's deht should be conditional on progress towards negotiations and oo the observation of human rights."

Given Algeria's financial plight, the economic lever is potentially powerful. It is also favoured hy many of France's diplomatic partners, including Washington. Last year, Mr Edmood Alphandéry, the ecoo-omy minister faced a tough struggle to persuade IMF partners to approve a FFr5.4bn (£647m) structural reform fund. Further structural loans and rescheduling loan oegotiations due in May could provide the opportunity for pressure to be exerted.

Some observers also favour attempts to encourage nascent discussions aimed at providing a democratic alternative and to find intermediaries to develop contacts with the Islamic groups. "There are a number of parties that one can consider as democratic," says Mr Jean Audibert, a former French ambassador to Algiers. He cites the 1.6m votes won in the first round of general elections by the FLN, the heir to the movement which forced France from Algiers.

Ms Labat helieves that France should tacitly assist talks between the FIS, the FLN and the FFS socialist organisation. These parties held a first round of meetings in Rome in November, and more talks are expected this month. Although France regards Algeria as its sphere of influence there may also be an increased role for Paris's diplomatic partners. "Most are keen to keep out of the Algerian crisis, but comtriea like Italy and Spain share similar concerns to France and could help foster dialogue", says one diplomat.

Few, bowever, expect Mr Balladur's government to take bold initiatives in the near future. The reason, as ever, lies in domestic French politics and the fortbcoming presidential elections. "If France beld negotiations or appeared to make concessions to tbe Islamists, the government would be denounced by the right wing and nationalists. It would seem as if the terrorists had won the day and play into the hands of parties like the National Front," says Mr Moisi. He argues that Mr Pasqua himself has not given up on the idea of a tilt at the presidency should the right circumstances arise.

Mr Pasqua may well remain a central figure in Algerian politics after the elections. Mr Balladur needs to maintain the support of his powerful interior minister and could select him as prime minister should he succeed in his own bid for the Elysée. As premier, Mr Pasqua could ensure the implementation of a tough policy and support for the Algerian regime. As a supporter of Mr Jacques Chirac, by contrast, Mr Juppé could find himself and his arguments for negotiations shunted aside.

Such ohstacles reduce the likelihood of a rapid shift in stance. But with tbe crisis escalating in Algeria, events are unlikely to respect the French political calendar.

As one diplomat in Paris put it; "The options may not seem very attractive now. But they are getting less attractive hy the day. There is growing pressure for a policy change after the elections. But it is by oo means clear that pressures within Algeria can be contained that long."

NEWS: INTERNATIONAL

Brazilian banks resume trading

By Angus Foster in São Paulo

The two Brazilian state-owned banks which the central government took over on Friday appeared to be trading normally yesterday, the first time the banks had opened since the government's move.

Banespa, controlled by the state of São Paulo, and Banerj of Rio de Janeiro, were reported to be operating normally. Both banks said business was "totally tranquil". Banerj claimed it received sizeable deposits yesterday morning from retail clients.

The banks have been put under "special temporary administration" for at least one year by the central bank, allowing the central government to appoint new directors and oversee all new lending. The move followed mounting liquidity problems for both banks but consumers seem to have been assured by government statements that deposits are not at risk.

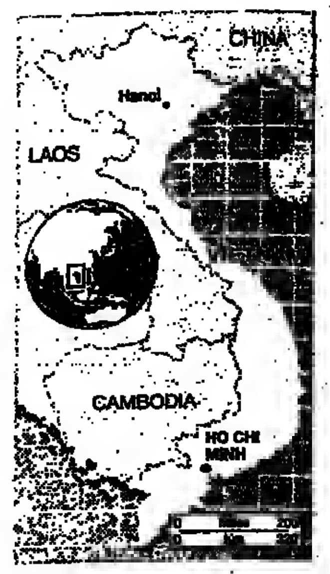
Shares in the banks, which were suspended early in the day, resumed trading on the São Paulo and Rio stock exchanges. Stock exchange officials said a suspension was not required as both banks continued to function normally. Banespa's shares were down about 7 per cent at lunchtime. But analysts said that in the medium term the central bank's intervention was welcome as it would restore Banespa's balance sheet and probably prepare the bank for privatisation.

The administrators appointed by the central bank are not commenting on their findings until they have a clearer understanding of the two banks' situations. A preliminary statement is possible later this week.

The central bank intervened shortly before the new president, Mr Fernando Henrique Cardoso, and new state governors took office on Sunday. The move was backed by Mr Cardoso and Mr Pedro Malan, who yesterday moved from the central bank to become finance minister.

Taiwanese take on Ho Chi Minh city

Kieran Cooke and Laura Tyson on a project to modernise Vietnam's southern capital



Ho Chi Minh city in southern Vietnam is one of the most densely populated urban areas in Asia. In 1960 there were fewer than 1m peopla living in Ho Chi Minh, the former Saigon. The effects of the Vietnamese war, plus the more recent influx of rural dwellers in search of work, has pushed the population of the city to more than 6m.

Now the Vietnamese government, in a joint venture with investors from Taiwan, is undertaking an ambitious plan which it hopes will solve Ho Chi Minh's chronic infrastructure problems. Last month, Mr Vo Van Kiet, the prime minister, gave the go-ahead to the "Saigon South" project.

The aim is to build a city of more than 500,000 south of Ho Chi Minh which will become a regional business and finance centre. "Saigon south will rival Shenzhen [near Hong Kong] and Pudong in Shanghai as a centre of business enterprise," said a local official.

The project has interesting political implications. The Central Trading & Development group (CT&D) of Taiwan is partner of the local communist people's committee in the project. CT&D is a privately held concern whose majority shareholder is Taiwan's ruling – and staunchly anti-communist – Kuomintang (KMT) party. Conspiratorial-minded Vietnamese say part of the reason for the Kuomintang company's interest in Vietnam is political: it wants to invest in order to prevent the spread of China's influence in Indo China.

Mr Y.T. Young, a Ho Chi Minh-based manager of the CT&D group, insists his company is in Vietnam for sound business reasons. "With the lifting of the US embargo, more and more investors are coming to Vietnam, particularly to the south around Ho Chi Minh," says Mr Young. "The city cannot handle new industry. Its roads, its port, its power and water supply systems are all inadequate. Vietnam is like Taiwan 25 years ago, but it will catch up fast. However, it must have proper infrastructure."

With nearly \$2bn (£1.28bn)-worth of projects licensed in Vietnam, Taiwan is the country's biggest foreign investor. In many parts of south-east Asia, Taiwanese companies have the reputation of being "fly-by-night", investors who often flout local labour and environmental procedures. The Saigon South venture is a flagship project which could alter popular conceptions of Taiwanese business.

CD&T says it has already invested \$89m in developing the Tan Thuan export processing zone on a 300-hectare peninsula on the Saigon river south of Ho Chi Minh. Tan Thuan is the first of five such zones licensed in Vietnam to start operations. Mr Young says that 25 companies have so far been granted licences to operate at Tan Thuan. The concerns are labour intensive. They inclnde a Taiwanese bicycle manufacturing plant and a Japanese sewing machine assembly operation.

"Tan Thuan is only 4km from the city centre and has access to a large, intelligent, labour pool," says Mr Young. "We are confident it will be a success."

CD&T plans to invest a further \$242m to develop Saigon South, which will stretch over a 2,600-hectare area west of Tan Thuan. Plans are for a new city centre, a university, a stock exchange building and hotels to be built along a 18km long thoroughfare. CD&T says it has already started construction of a 675MW power plant to feed the Tan Thuan EPZ and eventually the new city.

While the Saigon South scheme has received full official backing, some Vietnamese question whether charge over such an important, prestige project should be given to an outside concern. Vietnam's small Chinese community is often accused of having too much control over the economy: the development of Saigon South by Taiwanese Chinese could ceuse further resentment. There have already been problems over settling compensation claims from people being moved off the land.

Some foreign developers also question Taiwanese credentials in infrastructure planning. Taiwan is a modern economic success story. But Taipei is one of the region's most congested and polluted cities, plagued by infrastructure problems.

There is also the issue of where the funds will come from for such a massive project. Vietnam has a serious shortage of capital. Local partners in the Saigon South scheme are supplying the land but will not be putting any cash into the venture. CD&T says that, while a sizeable part of the capital needed will come from internal company funds, financial support will be canvassed around the world.

Mr Young says he is confident that the sceptics will be proved wrong. "Look how Shenzhen was transformed from a small fishing port into a city of 2.7m within seven years. That amazed people. The same can happen here."

North Korea yesterday released this picture of its leader Mr Kim Jong-il (right) receiving flowers from a soldier in an apparent attempt to counter rumours of weight-loss, ill health and internal power struggles. Mr Kim has been absent from public life since the July 20 funeral of his father, Kim Il-sung. Speculation over his grip on power deepened on Sunday when he failed to give North Korea's traditional New Year's Day address. Picture: Reuter

The personal touch scores for an Italian company in Turkmenistan

Steve LeVine reports on hotels rising from the desert near Ashkabad

The row of 24 lavish, eastern-style hotels rises from the edge of Turkmenistan's barren desert capital like a sparkling mirage. But the five-star oasis, outfitted with tennis courts, swimming pools, night clubs and casino, is no illusion. It is part of Turkmenistan president Sapurmurat Niyazov's vision of a Kara Kum Desert sheikhdom, rising from the country's possession of the world's fourth largest natural gas reserves.

Italy's Agind-Swissital is among the few European companies that have become part of Mr Niyazov's dream for Turkmenistan, which has been the slowest of the ex-Soviet Caspian Sea states to develop its energy riches. Agind-Swissital built and operates the jewel of Ashkabad's hotel row, the \$6.4m, 18-room Hotel Independent. The company has turned the hotel into Ashkabad's favourite, catering to a tiny local élite and foreign community who dine in the capital's only fine restaurant and enjoy such finishing tonches as Pierre Cardin signature tiles in the public toilet.

The result has been an 80 per cent occupancy rate, including a five-room, \$1,000-a-night apartment rented at a discount to the US ambassador. "This is the only European-style hotel on the strip," asserts the Independent's manager, Ms Rosanna Umbri. "If you stay in the other hotels, it means you make the bed for yourself and bring your own towels."

Five years after coming to Turkmenistan during the Soviet era to discuss the refurbishing of a glass factory, Agind-Swissital has become among the most active European investors in the central Asian republic. In financial terms, this is not saying a lot – Agind-Swissital possesses just \$40m (£25.6m) in 17 contracts, including a second, \$8.8m hotel – but it does offer a hint into how western companies can get a piece of Turkmenistan's growing trede.

The republic of 4m people, which borders Iran in the south and the Caspian Sea in the east, is still deprived of almost any comfort. This has especially been so since November 1993, when Russia cut Turkmenistan's access to the European natural gas market and severed its main hard-currency source. Much of the population goes without running water for several hours a day, and few western consumer goods are on sale.

Instead of spending on basic infrastructure and consumer imports, Mr Niyazov has committed almost all of Turkmenistan's resources to a series of expensive construction projects, including Ashkabad's hoteis. All are financed by bartering cotton and oil, and most have been testaments to Mr Niyazov's ego. Agind-Swissital, for example, has won contracts to build two presidential palaces, the value of which it will not disclose, describing them as private contracts for Mr Niyazov. The French company Bouygues has a \$65m contract to build a giant mosque at the historic site of Geok Tepe.

Western diplomats say Mr Niyazov is soliciting hids on a \$1bn deal for a giant public park that would include Disneyland-style attractions; no one is sure how it will be financed, given that so much of the republic's cotton and oil are already encumbered by other projects.

Turkish companies have dominated manufacturing joint ventures, acquiring some \$1bn in contracts, according to the Turkish embassy.

Agind-Swissital has burrowed itself into Turkmenistan's economy by developing personal contacts, which diplomats and traders say is only certain local currency, since there are no reliable laws or banking system.

"A lot of Europeans are coming here asking for insurance, financing, letters of credit, because they are so sophisticated. But if you are so sophisticated, you will never do business here," says Mr Pasqualino Rispo, managing director of Agind-Swissital.

The company's recipe, indeed, has won it contracts throughout former Soviet central Asia. For example, it is working on a \$192m project on Uzbekistan's Tashkent Motor, a 200,000 sq m factory that, after two more year's work, is meant to produce 70,000 engines each year for fork lifts, tractors and generators, mostly for export.

Even after cracking central Asia's hard shell, however, Agind-Swissital's going has hardly been smooth. It has imported almost everything for its Turkmenistan projects, from raw materials to workers. The entire supply for the Hotel Independent's restaurant, is imported including jam, cheese, spaghetti and cooking oil. It even imported sulphur-resistant cement for Mr Niyazov's palace near Ashkabad.

There have been other problems: officers from Turkmenistan's intelligence service "invited" Ms Umbri to its headquarters for questioning twice last year and once insisted on counting the cash in the hotel safe. In 1993, the government forced the company to exchange all its hard currency profit for the local manat at a rate of 2 to \$1 when the street rate was 15/\$1, according to Ms Umbri. "They say that this time they will let us take out our profit," says Ms Umbri. "I'm waiting to see."

Not everyone has been as successful in acquiring business as has Agind-Swissital, partly since Russia's stranglehold on Turkmenistan's natural gas exports prevents it from doing much business. Agind-Swissital's Mr Rispo reckons, however, that Turkmenistan is still the easiest place to trade in central Asia.

Indeed, diplomats say business can be fairly successful in Turkmenistan – if you get to the right person. "The government's decisions are made politically, not economically," says one diplomat. "If they like you, they give you a contract. And if you like them, you do something for them."

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

UNITED STATES

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	101.8	98.8	102.3	99.4	85.0
1987	105.6	100.7	103.8	96.7	76.2
1988	109.8	103.2	107.0	99.1	71.0
1989	115.2	108.5	110.1	101.1	74.9
1990	121.5	113.9	113.6	104.3	73.4
1991	126.8	116.3	117.3	107.6	74.2
1992	130.4	117.7	120.2	108.4	74.2
1993	134.3	119.2	123.1	107.7	76.8
4th qtr.1993	2.7	0.3	3.1	–1.7	78.7
1st qtr.1994	2.5	0.2	3.4	–1.0	77.0
2nd qtr.1994	2.4	–0.2	2.6	–2.3	75.6
3rd qtr.1994	2.9	1.3	2.8	–3.4	73.4
December 1993	2.8	0.2	3.7	–2.7	77.3
January 1994	2.5	0.2	2.8	–1.1	77.8
February	2.5	0.2	3.7	–0.6	77.0
March	2.5	0.2	3.7	–1.3	76.4
April	2.4	–0.4	2.8	–1.7	76.4
May	2.3	–0.4	2.8	–2.7	75.9
June	2.5	0.1	2.8	–2.8	75.1
July	2.8	0.6	2.8	–2.6	73.5
August	2.9	1.8	2.8	–3.7	73.9
September	3.0	1.4	2.7	–3.7	72.8
October	2.6	1.0		–2.2	71.6
November	2.7	1.3			72.1

JAPAN

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	100.8	95.3	101.4	103.4	118.4
1987	101.2	92.5	103.1	100.6	122.9
1988	102.2	92.3	107.8	96.2	131.0
1989	104.6	94.2	114.0	96.1	123.5
1990	108.2	95.7	120.1	98.3	108.3
1991	111.8	96.8	124.3	101.8	114.8
1992	113.9	95.9	125.5	111.0	116.3
1993	115.3	94.3	125.8	116.9	134.0
4th qtr.1993	1.2	–2.1	–0.1	4.6	137.8
1st qtr.1994	1.4	–2.2	2.9	3.7	137.8
2nd qtr.1994	0.6	–2.1	5.0	0.0	139.8
3rd qtr.1994	–0.1	–1.7			140.8
December 1993	1.3	–2.2	–1.1	3.4	135.9
January 1994	1.4	–2.1	4.5	3.4	134.5
February	1.4	–2.2	1.6	8.1	139.4
March	1.3	–2.2	2.4	2.6	139.4
April	0.8	–2.2	1.8	0.9	141.2
May	0.6	–2.0	1.0	0.0	139.2
June	0.5	–1.6	6.1	–0.9	139.4
July	–0.3	–1.8	–5.2	0.6	142.4
August	–0.1	–1.7	–1.5		139.9
September	0.1	–1.5			140.3
October	0.6				139.5
November	1.1				140.6

GERMANY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	99.9	97.5	103.4	103.8	107.4
1987	100.1	95.0	107.7	107.1	110.9
1988	101.4	96.2	112.3	106.9	110.0
1989	104.2	99.3	117.3	108.0	107.8
1990	107.0	101.0	123.5	110.3	110.7
1991	110.7	103.4	131.2	115.0	108.2
1992	115.1	104.9	138.0	121.5	108.7
1993	119.8	104.9	145.7	125.9	110.2
4th qtr.1993	3.7	–0.2	n.a.	–1.7	109.9
1st qtr.1994	3.3	0.2	n.a.	–2.6	107.2
2nd qtr.1994	3.0	0.3	n.a.	–6.9	107.8
3rd qtr.1994	3.0	0.6	n.a.	-	109.7
December 1993	3.7	–0.1	-	–2.9	109.0
January 1994	3.5	0.0	4.9	–0.6	107.3
February	3.4	0.2	-	–4.8	106.6
March	3.2	0.3	-	–2.5	107.5
April	3.1	0.1	2.0	–6.7	107.0
May	3.0	0.4	-	–6.3	107.8
June	3.0	0.4	-	–7.7	108.4
July	2.9	0.4		–11.8	109.7
August	3.0	0.7		–5.4	109.9
September	3.0	0.7			109.8
October	2.8	1.0			110.2
November	2.7	1.4			110.1

FRANCE

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	102.5	97.2	104.5	101.6	103.4
1987	105.8	97.8	107.6	103.0	104.8
1988	108.8	102.8	111.1	104.1	102.2
1989	112.8	108.4	115.4	105.2	99.8
1990	116.5	107.1	120.6	109.6	103.8
1991	120.2	105.8	125.8	113.4	102.3
1992	123.1	104.0	130.3	115.6	105.8
1993	125.6	101.1	133.7	118.1	108.5
4th qtr.1993	2.1	–2.2	n.a.	0.0	107.7
1st qtr.1994	1.7	–1.5	n.a.		107.5
2nd qtr.1994	1.7	–0.1	n.a.		107.4
3rd qtr.1994	1.8	1.8	n.a.		108.7
December 1993	2.1	n.a.	2.2	n.a.	108.9
January 1994	1.8	n.a.	–	n.a.	107.5
February	1.8	n.a.	–	n.a.	108.9
March	1.5	n.a.	2.1	n.a.	107.9
April	1.7	n.a.	–	n.a.	108.6
May	1.8	n.a.	–	n.a.	107.4
June	1.6	n.a.	2.4	n.a.	108.2
July	1.7	n.a.	–	n.a.	108.4
August	1.7	n.a.	–	n.a.	108.7
September	1.5	n.a.	2.4	n.a.	108.9
October	1.7	n.a.	–	n.a.	109.1
November	1.6	n.a.	–	n.a.	108.6

ITALY

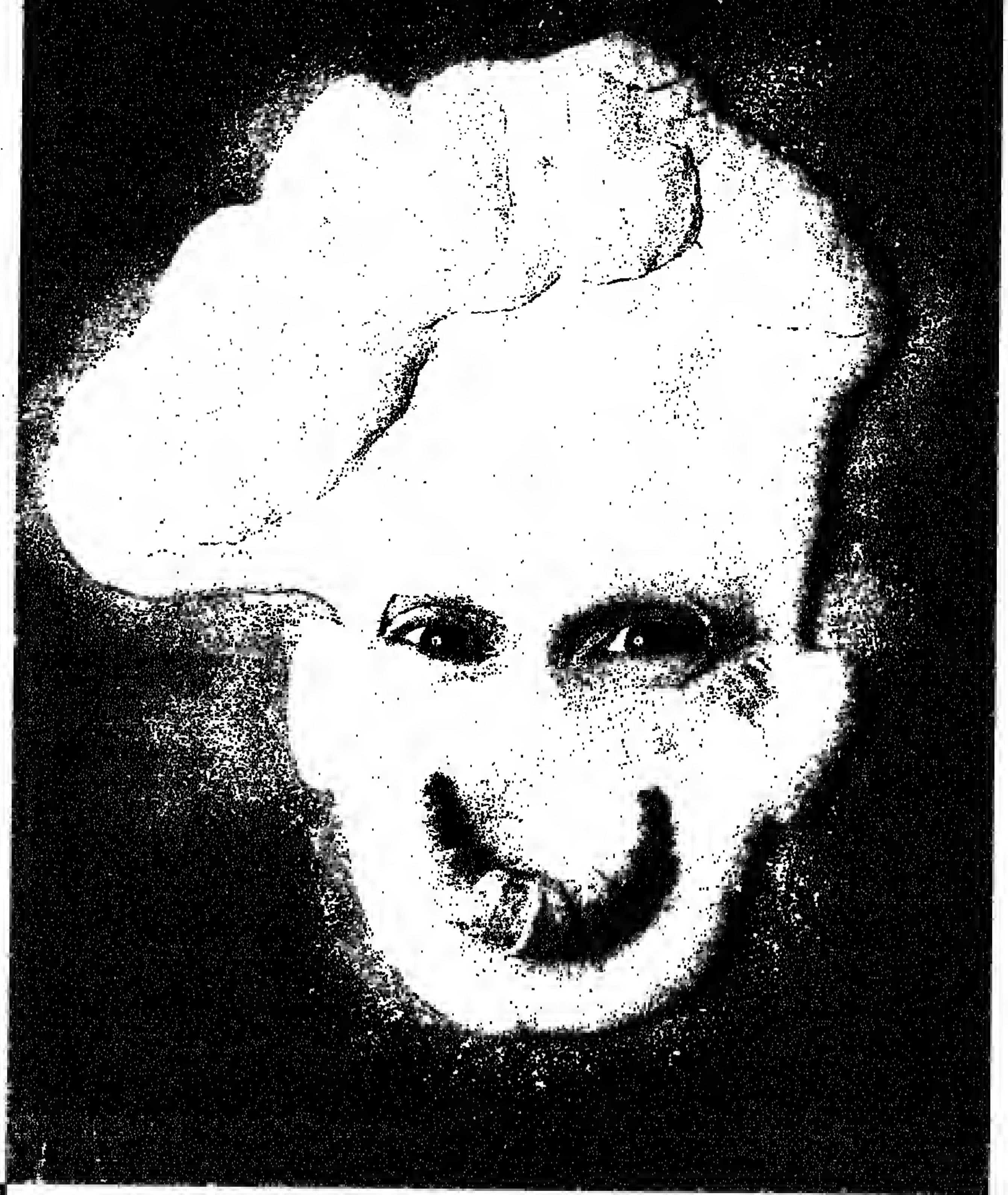
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	106.1	100.2	104.8	102.7	101.3
1987	111.0	103.2	111.8	105.5	102.0
1988	116.5	106.6	116.4	109.7	100.2
1989	124.2	113.1	125.6	112.3	103.8
1990	131.8	117.6	134.7	118.7	106.2
1991	140.3	121.7	147.8	131.2	105.5
1992	147.7	124.0	155.9	136.7	101.9
1993	153.9	128.7	161.3	139.3	87.3
4th qtr.1993	4.1	3.8	3.9	–1.5	85.7
1st qtr.1994	4.2	3.5	4.3		85.2
2nd qtr.1994	4.0	3.1	4.1		87.4
3rd qtr.1994	3.7	3.5			85.4
December 1993	4.0	3.7	3.7	n.a.	84.7
January 1994	4.2	3.5	4.0	n.a.	85.2
February	4.2	3.6	4.3	n.a.	85.5
March	4.2	3.2	4.5	n.a.	84.9
April	4.1	3.0	4.6	n.a.	87.5
May	4.0	3.2	4.8	n.a.	87.8
June	3.7	3.0	3.0	n.a.	86.8
July	3.6	3.2	3.1	n.a.	86.1
August	3.7	3.5		n.a.	85.0
September	3.9	3.8		n.a.	85.0
October	3.8	4.3		n.a.	84.7
November				n.a.	84.1

UNITED KINGDOM

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	103.4	101.4	107.7	104.1	94.2
1987	107.7	104.9	116.3	106.6	94.6
1988	113.0	106.7	128.2	109.5	102.3
1989	121.8	113.9	137.2	114.4	101.8
1990	133.3	121.0	150.1	122.7	102.6
1991	141.2	127.5	162.4	131.3	106.8
1992	146.4	131.5	173.1	133.9	103.5
1993	148.7	136.7	180.9	134.7	95.7
4th qtr.1993	1.5	3.8	3.9	1.8	97.2
1st qtr.1994	2.4	3.3	4.8	1.9	98.5
2nd qtr.1994	2.6	2.2	4.4	–0.2	97.8
3rd qtr.1994	2.3	2.1	4.4	–1.5	95.9
December 1993	1.9	4.0	4.0	1.4	98.0
January 1994	2.5	3.7	4.8	1.7	98.9
February	2.4	3.4	4.4	1.7	98.3
March	2.3	2.8	5.3	2.3	97.6
April	2.6	2.2	4.7	0.4	97.0
May	2.5	2.1	4.3	0.6	96.9
June	2.6	2.1	4.3	–1.5	97.2
July	2.3	1.8	4.2	–1.4	96.0
August	2.4	2.2	4.5	–1.4	95.8
September	2.2	2.3	4.6	–1.7	95.9
October	2.4	2.3	4.9	–2.0	96.9
November	2.6	2.4			96.9

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: JP Morgan real effective exchange rate index versus 18 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

BP, who bring billions of barrels from the back of beyond now bake biscuits in Berlin.



BP's special way of working has given rise to a new breed of petrol station. We went to Berlin to find out more...

We all have to eat. Our customers think of it as a convenience store with pumps outside. A lot of them walk here.

We started with eight in South Carolina, now they're all over the world. Whatever we learn from one is passed on to all. That's how we work. Here, have a biscuit... it's fresh.

Not at all, for example we Germans like our coffee in ceramic mugs – in England people prefer paper cups. But everyone likes fresh bread.

No, this one's based on one in Munich. Go there – talk to Karl. We could not have done it without him...

What's a baker doing in a petrol station Karl?

Baking, of course. We offer fresh pastries on a three hour cycle – like they do in America.
We are making our filling stations more... how do you say?

Filling?

Precisely.

What else do you sell here?

Milk, sandwiches, coffee, pet food – here, have a doughnut.

Err, thanks. It's a great idea, when did you come up with it?

I made it this morning... it is fresh.

No, not the doughnut, the bakery.

Oh, that was not my idea, you must talk to Hans in Berlin, I am learning a lot from him.
For instance this store is based on the layout of one in Australia. He brought the design back, we could not have done it without him...

ALL TOGETHER BETTER. BP

Foreign secretary sings EU praises

By James Blitz at Westminster

Mr Douglas Hurd, foreign secretary, yesterday underlined the government's determination not to seek an early compromise with Conservative Euro-rebels. He delivered a powerful message of support for UK membership of the European Union.

Amid signs that pro-European cabinet ministers are planning a new campaign against the recent wave of Euroscepticism within the party, Mr Hurd issued a message to Conservative activists extolling the benefits of EU membership for the British economy.

In a "briefing note" to the leaders of Tory constituency associations, the foreign secretary emphasised his commitment to "a flexible decentralised Europe," rejecting the federal version of the EU favoured in some countries.

But in all other respects, Mr Hurd's message abandoned the mild Euro-scepticism he has employed in recent months to try to appease Conservative MPs who oppose British membership of the EU.

"Our criticisms of the way it [the EU] often works, our efforts to make it work better, should not obscure the overwhelming benefits our membership brings us," he wrote.

He added: "If we are to influence community laws to the advantage of British companies, we need to be inside, not outside, the EU."

Mr Hurd's message was the latest indication that ministers are not seeking an early compromise with nine backbench Tory MPs who were removed from the party whip last month after refusing to support the government over the European Union finance bill.

Mr Norman Lamont, the former chancellor, showed his commitment to fight against EU integration yesterday by insisting that the government must rule out any risk that sterling will enter a single European currency.

Trial of ex-finance chief to open today

By John Mason, Law Courts Correspondent

The trial of Mr Muhammed Naviede, former chairman of the collapsed Arrows trade finance group who faces charges of defrauding banks and deceiving creditors, starts today at the Central Criminal Court in London.

Mr Naviede faces eight charges including two of obtaining a total of £4m by deception from a Dutch bank, two of obtaining credit facilities for £41m by deception and one of fraudulent trading. The other charges include making false statements to Arrows' creditors and auditors.

The charges arise from the collapse of the Cheshire-based company, which was put into liquidation in August 1991 with debts of £125m.

The charges allege that in 1990 Mr Naviede dishonestly obtained from NMB Postbank, a Dutch bank, payments of £3m and £1m. It is alleged he falsely claimed that Arrows' business remained trade finance, that the money would be used for this business and that each transaction would be insured against loss.

It is alleged that Mr Naviede made similar false claims to obtain credit facilities for £41m from NMB and Girozentrale und Bank der Osterreichischen Sparkassen Aktiengesellschaft, an Austrian bank.

Mr Naviede denies all the charges. The trial is expected to last up to six months.

Fire yesterday destroyed the debating chamber in the former Northern Ireland parliament building at Stormont (above), on the outskirts of Belfast, Stephen McGookin writes.

No one was hurt as up to 120 firefighters tackled the blaze. A fire brigade spokesman said there was "nothing to suggest" the blaze was malicious. Damage to the building, seen as a monument to a generation of unionist political domination in the province, is estimated at hundreds of thousands of pounds.

The debating chamber was the location for separate talks over the past month between the British government and representatives of both Sinn Féin – the political wing of the IRA – and political groupings representing loyalist paramilitaries.

The northern parliament set up under the 1920 Government of Ireland Act moved to the Stormont buildings in 1932 and governed the six counties until it was prorogued in 1972. Stormont was the home of the failed Ulster Assembly, the short-lived power-sharing Executive in 1974, and was the venue for inter-party talks in 1991-92.

The British government was spending £2.5m refurbishing the buildings.

Minister is challenged on prisoner's death

Mr Jack Straw, a member of the opposition Labour party's shadow cabinet, yesterday asked Mr Michael Howard, home secretary, to clarify orders given to prison officers who were responsible for Frederick West when he was found hanging in his prison cell on Sunday.

West was accused of murdering 12 young women whose remains were found under his home and near the cottage where he was born.

"I think you should clear up immediately exactly what level of surveillance was prescribed for West at the time of his death, who made the relevant decisions and on whose recommendations," Mr Straw said. It was not clear yesterday whether West had still been under surveillance every 15 minutes as he had been when committed to prison last year. It was also not clear who might have authorised any change to the regime.

● A lawyer for West's wife, also facing murder charges, yesterday attacked coverage of the West case by mass-market newspapers.

1941 Frederick West born one of six children of illiterate farm labourer 20km north-west of Gloucester
1962 West marries Scottish waitress; two daughters born
1970 Wife disappears; West has affair with 16-year-old Rosemary, who gives birth to daughter 1972 marries Rosemary
1994 Feb 26 Body of daughter Heather, missing since 1987, found under West's Gloucester home; West charged with murdering her March 1 Remains of two women found in West's garden
March 4 Probing machine discloses another body; five more bodies found under the house in the following week; search is extended to fields near West's childhood home
March 14 Rosemary West denies being involved in murders alleged against her husband
April 10 Body of West's first wife, missing for 24 years, found in field
May 4 Body of one of West's daughters – missing since 1975, when she was 12 – found in Gloucester
May 5 Mrs West accused of involvement in five murders with husband
June 7 Body of West's 18-year-old nanny found in field
Dec 13 Wests in brief court appearance are told that preliminary hearings will start a month later
1995 Jan 1 West found hanging in prison cell on noose made from clothes

UK NEWS DIGEST

Junk mail to accompany rail tickets

Ticket offices on the London Underground railway system are the latest outlet for junk mail, our Marketing Correspondent writes. Travellers can expect to be handed advertisers' promotional leaflets and money-off vouchers for such items as hamburgers and theatre tickets. London Underground said advertisers were being offered an audience of up to 1m people every day, "many of them young upmarket consumers who are high earners and high spenders".

The advertising is a joint venture with promotions company Aspen Specialist Media. Aspen's other projects include advertising-based television programmes which are shown to customers queuing in the 500 largest post offices.

London Underground, which will receive a fee for each promotion, said it was trying to maximise income from every source. It added that trials on the Central Line last year showed the scheme "had no perceptible effect on ticket office queues, while customers appreciated the offers".

Change to union dues wins business support

Most British companies whose employees belong to trade unions support the check-off system under which they pay membership subscriptions directly from their employees' wages, says a survey of unionised companies by the Confederation of British Industry, the biggest UK employers' organisation.

Mr Robbie Gilbert, the CBI's employment affairs director, said yesterday: "Companies recognise that the check-off system is an effective and convenient arrangement for collecting union subscriptions. It is important both for maintaining good industrial relations and monitoring union membership."

The CBI asked 318 unionised companies their opinion of the requirement in a 1993 law which demands formal authorisation from employees every three years to allow employers to deduct union subscriptions from their pay. The survey found slightly more than 90 per cent of companies operate the check-off. Less than 1 per cent had abandoned the system as a result of the new legal requirements. *Robert Taylor, Employment Editor*

Writs against auditors

Price Waterhouse, administrators of Maxwell Communication Corporation, said two further writs had been issued against Coopers & Lybrand, the former auditors of the failed publishing empire of the late Robert Maxwell.

The writs allege negligence and cover the years to March 1990 and March 1991. Taken with writs already issued, the administrators have alleged negligence from 1987-1991, although the writ covering 1987 has lapsed. No date has yet been set for court proceedings. Coopers will contest the allegations vigorously. *Jim Kelly, Accountancy Correspondent*

Liquidations decline

The number of businesses in England and Wales going into liquidation fell last year to 17,186 from 22,033 in 1993, information service Austintel reports.

The biggest decline came in receiverships, which fell from 2,864 to 1,882. Compulsory windings up fell 21 per cent to 6,361 and voluntary liquidations fell 20 per cent to 8,943. *Jim Kelly*

Crowding in schools

The number of young children in classes of more than 30 pupils rose by 19 per cent through 1992 and 1993 and has reached a record of more than 1m, the centrist Liberal Democrat party said. It said latest official figures for schools in England for children aged between five and 11 showed that more than 100,000 young children were in classes of at least 36 pupils.

Mr Don Foster, the party's education spokesman in the House of Commons, said: "Class sizes are set to increase further as a direct result of government policy. Local education authorities are powerless to prevent the inexorable rise in class sizes. Despite headline increases in education spending, the reality is that the money is not finding its way into the classroom." *PA News*

EMPTY SCARE: People greatly overestimate the likelihood of being a victim of crime according to a survey of more than 1,000 people for BBC radio. Those questioned estimated on average that 26 per cent of people would have been a victim of crime in the previous 12 months, whereas the actual figure was between 1 and 2 per cent.

BETTING ON HEDGES: Police have joined forces with garden centres in the north-west England county of Cheshire to encourage householders to plant thorny shrubs as a defence against burglars. Constable Mika Wellman, wildlife and environment officer with the Cheshire police, said plants could make a contribution although "I'm not suggesting that plants should replace modern security systems at the sharp end of technology".

HARD DRIVING: People whose cars are stolen are 15 per cent more at risk of suffering a repeat theft, says a report from West Yorkshire police and the criminology department of Manchester University. Some areas were notable for repeat thefts, which were often suffered by people who replaced the stolen car with a similar model.

CRISP AND EVEN: Harsh windy weather in northern Scotland produced excellent conditions for skiers yesterday. Officials at Nevis Range, which includes Scotland's highest mountains, said they expected one of their busiest days with more than 2,000 skiers on the slopes.

Weather, Page 12

MANAGEMENT: THE GROWING BUSINESS

In a Nutshell

Handbook help for businesses

Companies doing their bit for that unusual British phenomenon – the export-led recovery – might consider refreshing their knowledge of their nearest markets with the CBI's latest European Business Handbook.

Among the nuggets in this 580-page book is a description of the market for public procurement contracts, one of the largest remaining bastions of national interest in Europe.

Both a threat and an opportunity for domestic companies, the handbook says almost two thirds of the £506bn public-sector purchases each year could be opened up to foreign suppliers and that only 5 per cent of this contract amount is now awarded across borders.

Realistic about the remaining shortcomings of the single market, the handbook has valuable sections on cross-border expansion and credit assessment and sources of marketing information.

The CBI European Business Handbook, 1995, £30. Available from Kogan Page, 120 Pentonville Road, London N1 9JN.

Increase in buy-outs

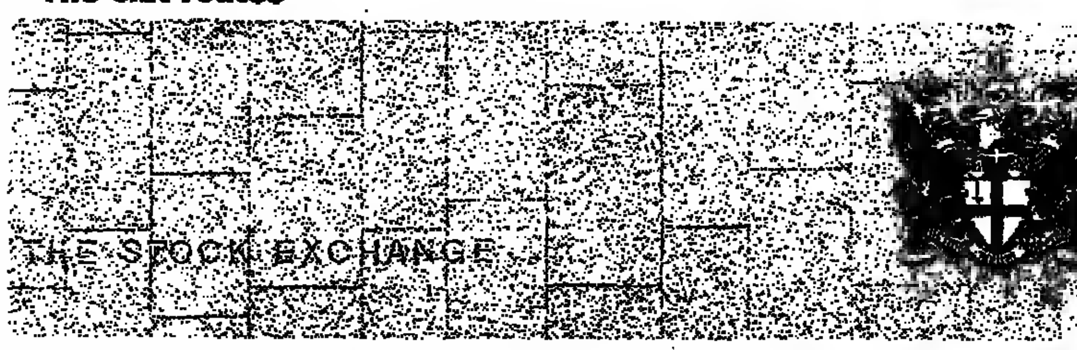
The total number of management buy-outs in the UK in 1994 rose by 12 per cent to 537 transactions and the value to £3.4bn, according to estimates by the Centre for Management Buy-Out Research at Nottingham University.

The growth of management buy-ins provided the greatest stimulus to this increase, with volume rising by 40 per cent to 139 deals and the value by a similar amount to £970m.

Chris Ward, head of MBO services at Touche Ross, a sponsor of the CMBOR, said he expected MBI activity to increase and venture capitalists to become more active this year in acquiring businesses.

Buy-outs rose 5 per cent to 398 with combined value up 11 per cent at £2.4bn.

The exit routes



	1986	1987	1988	1989	1990	1991	1992	1993	1994 prov
Trade sales	35	42	54	89	52	34	48	71	93
Flotation	38	34	36	14	5	4	11	35	47
MBO/MBI	–	3	11	14	13	5	11	18	18
Receivership	7	6	11	33	83	124	116	76	53
Total	80	85	112	150	153	167	180	200	211

Source: CMBOR/Barclays Dev Cap/Touche Ross Corporate Finance

Businesses for sale

Vanessa Houlder on the options for entrepreneurs seeking to sell their companies this year

For some entrepreneurs, 1995 will provide the first opportunity to harvest the value of the companies they have painstakingly nurtured through the first half of the decade.

Pressure from backers, a need for extra resources to build the business, desire for a more affluent lifestyle and the likelihood of increased tax rates under an incoming Labour government may emphasise the attractions of a sale or flotation.

Deciding how and when to sell a business can be nerve-wracking. It may be particularly difficult after last year when many newcomers to the stockmarket found it offered more thrills and spills than they had bargained for.

Overall, 1994 provided some exceptional opportunities for owners wanting to realise their capital. For example, management buy-outs, which account for an important proportion of private companies seeking an exit, saw the largest number of flotations and trade sales on record.

A record £900m was raised by stock market flotations for management buy-outs, according to the Centre for Management Buy-out Research at the University of Nottingham. For the first year this decade, receiverships ceased to be the most common form of exit for buy-outs and buy-ins.

But not all new issues were successful. Many companies decided to postpone or abort their flotation in the face of a turbulent stockmarket, weak investor interest and the unwillingness of management to scale down the value of their company.

Last year's stock market turbulence may put some companies off the idea of going public, in the belief that a trade sale would be more profitable and easier to carry out. But most entrepreneurs wanting to take cash out of their business will want to consider all their options, which may include the sale of a minority stake, buy-outs and buy-ins, a trade sale or flotation.

For many companies, the choice is limited. Most private companies are too small or have an insufficiently distinguished track record and prospects to contemplate a flotation. Conversely, some companies may have difficulties in finding a trade buyer, particularly in sectors suffering from overcapacity.

But when company owners do have a choice between a float or a trade sale, personal ambitions often weigh heavily in their choice.

Many entrepreneurs, who wish to retain their independence, like the idea of a flotation if they wish to continue within the business. The systems and controls imposed by a large company may be hard for some former owners to stomach.

Opting for a quotation can also involve frustrations. Directors are usually able to sell just part of their stake in the business. Opportunities for careful tax planning are also limited.

Moreover, many entrepreneurs find the demands of their investors time-consuming and distracting. The requirement to bring in outside directors may also rankle. "The difference in culture between a public and private company is often underestimated," says Neil Austin of KPMG Peat Marwick, accountants.

But whatever the preference of a management team, pragmatism often prevails in the face of an uninviting stock market. When the market turned down last year, several companies which had planned a flotation eventually opted for a trade sale. Significantly, the number of trade sales of MBOs continued to rise in the second half of last year, while the number of floats decreased.

The reason for going ahead with a sale, after plans for a flotation have been dropped, usually stems the desire to free up some of the money contained in the business. "Psychologically, once a management team has decided they want to go public and are frustrated from doing it, a significant minority has already spent the money," says Andrew Joy, a director of CINVen, the venture capital group.

But it is also possible that a trade sale will fetch more money than a flotation. Brian Larcombe, finance director of 3i, the venture capital group, and chairman of the British Venture Capital Association, believes that merger and acquisitions activity will increase in 1995, as trade buyers become more confident and cash-rich.

The vagaries of the stock market are unlikely to deter for long entrepreneurs wishing to sell their business

"Twelve to 18 months ago, the market was willing to pay higher prices than trade buyers were willing to pay. Now trade buyers may be willing to pay more than the market is willing to pay," he says.

That said, the market for private company transactions appears to have deteriorated since last summer. Figures prepared by BDO Stoy Hayward, the accountancy firm, and *Acquisitions Monthly* suggest that the average price of private deals dipped by 13 per cent in the third quarter of 1994.

This decline was blamed largely on the weak stock market, which makes it harder for small public companies to raise funds for acquisitions and makes vendors less willing to accept shares in place of cash.

Some venture capitalists believe that trade sales will rise next year. "We expect the level of trade sales to continue to increase in 1995 and also anticipate a number of flotations of companies which had delayed flotation in 1994 due to volatile stock market conditions," says Lucinda Horler Webber, director of Barclays Development Capital.

However, there may be less pressure from backers to bring companies to the market this year. "There is no pressure from venture capitalists after a good exit year in 1994," says Joy. "Portfolios are beginning to thin out. It is a question of holding the management back."

Clearly, much depends on the state of the stock market. Geoff Douglas, an analyst at BZW, brokers, thinks that although smaller company shares offer good value, institutional weightings of smaller companies will not increase. "It would be surprising in 1995 if we saw the amount of money raised in 1994 in smaller companies," he says.

One factor blunting institutional demand for new issues is the poor performance of some of last year's new entrants.

A number of profit warnings from some recent new issues, including management buy-outs such as Aerostructure Hamble, MDIS, Nottingham Group and United Carriers, created concern that buy-outs were generally being floated too early and had a high likelihood of not meeting their forecasts, according to the Centre for Management Buy-out Research.

"In 1994, a number of companies came to the market a touch prematurely," says Douglas. "They should have waited for a year."

One result of last year's new issue flops may be that investors scrutinise newcomers more rigorously. "In listing particulars, there will possibly be more emphasis on risk and the factors that affect the business are clearly spelt out," says Kevin Desmond of Price Waterhouse.

There may also be a residual suspicion of venture capital-backed new issues. "Venture capitalists, even more than family companies, are trying to time sales to their advantage," says Austin.

While selling at the top of the market is the ambition of most investors, the venture capital industry is anxious to play down the idea that it has exited from investments at the expense of investing institutions. "From 3i's perspective, we invariably retain a significant interest in companies post-flotation. The belief that the new issue route is necessarily an exit route is wrong," says Larcombe.

Moreover, he says, venture capital-backed new issues have tended, on average, to do better than the market as a whole. In the buy-out market, for example, this year's flotations had, by mid-December, outperformed the stock market by more than 6 per cent, according to the Centre for Management Buy-out Research.

Until the memories of last year's new issue flops fade, the prospect of bringing a company to the market is likely to be far less fashionable than a year ago.

But the vagaries of the stock market are unlikely to deter for long entrepreneurs wishing to sell their business. As the economic recovery feeds through into greater profitability, entrepreneurs may find their prospects for a successful exit from a private business are more buoyant than for years.

Loan scheme review

The small firms' loan guarantee scheme, which became the repository for banks' bad loans in the early 1980s, must be drastically changed if the government is serious about promoting investment and job creation by the UK's smallest businesses, says Michael Snyder, partner at accountants Kingston Smith.

There should be sharp reductions in the number of "ridiculous" restrictions and a broadening of the scheme's availability, Snyder says in response to the chancellor's call for a review of the loan guarantee scheme in last year's Budget.

"The government must become less cautious," Snydar says. "At the moment the main objective seems to be to avoid losses rather than to have a worthwhile impact on the small business sector."

First launched in 1981, the scheme was last changed in 1993 when the government's guarantee limit was raised from 75 per cent to 85 per cent and the maximum loan from £100,000 to £250,000.

But the banks are expected to lend less than £240m under the scheme in fiscal year 1994/95, a figure that averages £16m for the 15 banks involved in the scheme.

Part of the problem is that banks have no incentive to promote the scheme, Snyder says. The government could increase the attractions to the banks if it were to make up to 50 per cent of the required loan amount available in the form of redeemable preference shares, he says.

This quasi-equity would rank behind the banks which would be able to secure their part of the loan. At the moment, banks cannot take a personal guarantee on the 15 per cent of the loan not guaranteed by the government.

This proposal could be resisted as it has greater implications for the public sector borrowing requirement than the current LGS. Under this scheme, the government would also effectively be providing the assets which would be pledged as security to the banks.

Richard Gourlay

BUSINESS AND THE LAW

A window on transparency

Vaclav Skolout and **Jennie Mills** explain the plans to fine-tune securities trading rules in Prague

The completion of the privatisation of 85 per cent of the former state-owned companies in the Czech Republic by early this year will switch the focus on to the developing capital markets. These will not only provide opportunities for foreign investment, but allow Czech companies to raise finance for restructuring and investment in technology.

Privatisation was achieved by a variety of means, including public auctions of retail outlets, hotels and small businesses, direct sales and public tenders. But fundamental to the privatisation process was voucher privatisation, under which Czech nationals were able to buy voucher booklets which entitled them to bid for shares in selected companies.

As a result 6m Czechs became shareholders in the spring of 1994, and more will join them after completion of the second wave of privatisation this spring.

With so many individual shareholders, the government's initial priority was to provide a market for trading shares, rather than for companies to raise capital. The Prague Stock Exchange was established in July 1992 and commenced trading in spring 1993.

The exchange operates two markets. The first is the listed market, which comprises 40 securities. Of these, 10 are bonds and the balance are the shares of the blue-chip Czech companies such as CEZ, the Czech electricity producer. These securities have to meet the exchange's detailed listing requirements and comply with the strict reporting obligations.

The second market is the "unquoted securities market", for which listing requirements are less onerous.

In anticipation of the end of voucher-privatisation, the exchange is reorganising its market to provide for two levels of listed securities, which will meet one of two forms of listing and reporting requirements. It is expected that the highly liquid securities will trade on these markets. The remaining securities – those of less liquid or smaller companies – will trade on the so-called "free market", which is likely to shrink as companies become able to meet the listing and reporting requirements.

The legislation which set up the exchange also authorised the establishment of alternative market organisers. This enabled the establishment of the RM-System – a type of over-the-counter market for individuals to trade their voucher privatisation shares.

Prague Stock Exchange: tackling the problems that have arisen

The privatisation process inevitably spawned investment funds to assist inexperienced investors with the allocation of their voucher points. Czech investment funds take two forms familiar to sophisticated capital markets: the "share fund", akin to UK unit trusts, which can be open or closed-ended; and the classic investment fund which must be closed-ended. Their activities are regulated by legislation introduced in April 1992.

Eighty per cent of voucher holders opted to place their voucher points with the investment funds for the first wave of privatisation and only a marginally smaller number did so for the second wave. As a result, the funds play a significant role in the capital markets.

Voucher privatisation brought with it a number of practical difficulties. One was solved through the decision to issue shares in a dematerialised form, thus overcoming the nightmare of printing and distributing millions of share certificates.

A central registry – the Centre for Securities – was established, which maintains two separate registers: one of the individual shareholder's dematerialised shares; the other of the issuer's issued securities together with shareholders' names.

The establishment of the Centre for Securities has led to a number of problems. Since the transfer of ownership of a share is only effective legally when the amendment is made in the registers, the parties to the sale and purchase can agree the transaction and effect the transfer directly at the Centre. Thus a substantial part of current trading takes place "off exchange", where the price is not disclosed.

The Czech government is proposing to deal with this by amending the securities laws to require parties to a transaction involving securities registered at the Centre to disclose the number of securities traded and their price. The Centre will publish the average price of securities traded in this way, and so enhance the transparency of the market.

Another problem has arisen because there are only two forms of register, making it difficult for individuals to entrust a broker with the management of their portfolios. Individuals must execute each transfer order or transfer the securities to the account maintained by the broker at the Centre. However, in doing so, they transfer title to the securities.

Many would like to see the introduction of a form of global nominee accounts at the Centre, and argue that the practice sometimes used at present, of applying the provisions of the Civil and Commercial Codes covering mandate contracts, does not resolve the situation. It also detracts from the transparency of the market, they say.

The Centre is overburdened with the numbers of transfers. This could be eased through the creation of global nominee accounts.

Critics of such a proposal point out that the state guarantees the actions of the Centre, affording protection to the owners of securities which would be diminished with the introduction of global nominee accounts. However, that concern could be overcome by ensuring that only brokers could maintain such global nominee accounts, as brokers must be specifically authorised by the Finance Ministry. Furthermore, while the Centre currently has strict reporting obligations to securities owners and issuers, these could generally be met by the global nominee account holders.

The issue of supervision is also under consideration. At the moment it is carried out by the Finance Ministry, but there is growing support for an independent watchdog, similar to the UK's Securities and Investments Board. Legislation in this area is expected this year.

While it has proved difficult to fine-tune the rules during the privatisation process, foreign and domestic investors can now look forward to changes in the securities laws to tackle these difficulties and to increase transparency in capital markets.

Vaclav Skolout is head of the legal department of the Prague Stock Exchange. Jennie Mills is a consultant with Norton Rose, the international law firm, and author of a Business Law Guide to the Czech Republic, published by CCH Europe, £65

TECHNOLOGY

Screening has far-reaching economic and ethical implications, warns **Victoria Griffiths**

Genetic testing under the microscope

Vicki Reis knows first-hand the dangers of gene screening in the US. A former school bus driver who re-located to a Californian farm with her busband several years ago, Reis was tested for cystic fibrosis.

The results showed that she was a potential carrier, hut there was no evidence that she would develop the disease. Even so, Reis was later unahle to obtain bealth insurance. "I was refused four times," she said.

Gene screening technology is racing ahead. Scientists have already identified a number of genes responsible for specific diseases and are likely to discover many more over the next few years. Testing methods are becoming cheaper and easier to use. Johns Hopkins University in Baltimore announced in October it was developing a urine test which would screen patients for a number of disease-related genes. A DNA test for cystic fibrosis which cost $400 (£270) several years ago can now be had for $135.

But understanding of the ethical and economic implications of the tests bas failed to match scientific progress. The potential for discrimination based on gene testing is especially strong in the US, where bealtb insurance groups have the right to refuse cover based on "pre-existing conditions".

Pre-existing conditions are ailments or potential ailments whicb might boost the cost of a patient's medical care. A patient suffering from cancer, for instance, is unlikely to find bealth insurance. With the advent of gene testing, a person deemed likely to contract cancer in the future may face the same difficulty.

"Unless these issues are addressed, the growth of gene testing in the US will be held back," says Elliott Hillback, president of integrated Genetics, one of the leading makers of DNA tests.

Many members of the US media have deoounced gene tests as intrusive, but scientists say they can also save lives. "If you find you bave a gene for colon or breast cancer, for example, you can do something about it," says Philip Reilly, executive director of the Shriver Ceotre for the Mentally Retarted. "You can go for more mammograms, adjust your diet, do more self-exams. Not all diseases can be prevented, though."

Genetic testing began some 30 years ago when doctors began to study chromosomes through a microscope. Significant genetic disorders such as Down's syndrome were clearly visible. One – phenylketonuria, a genetic disorder which can cause mental retardation – can be treated easily through diet.

Later, scientists developed ways to take a closer look. With today's DNA tests they can predict with a great deal of accuracy whetber patients will develop specific diseases. If a patient tests positive for Huntington's, for instance, the chances are virtually 100 per cent that unless the person dies prematurely of another cause, he or she will develop the disease.

Scientists have identified several genes responsible for specific diseases and are likely to discover many more in the next few years

Even if no preventive measures can be taken for a certain disease, a patient may want to bave a test. The presence of a "carrier" gene, which can be passed on through the generations, may affect a person's decision to have children. Others may want to know their chances of premature death so that they can make financial and other provisions for their family.

The advisability of testing, bowever, becomes blurred when children are involved. "It's difficult to gauge the psychological impact for adults, and almost impossible for children," says Thomas Murray, director for the centre of biomedical ethics at Case Western University.

Another pressing concern is discrimination. "We've done studies that show that people are already experiencing discrimination because of gene tests," says Jonathan Beckwith, a professor at Harvard Medical School and a member of the ethical group for the Human Genome Project.

"One case involved someooe who couldn't get a job with the military because he was genetically marked. Another was not allowed to adopt a child, because of the possibility of an early death. Others are denied health insurance."

The possibility of discrimination has instilled caution in those seeking genetic tests in the US. Many test under a false name. Others, scientists fear, do not test at all, even for diseases whicb may be preventable.

Since genetic screening is still in its infancy, it is not yet a significant problem in US bealth care. Yet the rapid pace of research in the field necessitates a closer look at its implications. Politicians are already proposing laws regulating the use of and access to genetic tests, but sceptics say no amount of regulation will eradicate discrimination if the health system does not change.

"Many companies require urine tests for alcohol and drugs," Murray pointed out. "What's to stop them from doing a genetic screen at the same time?" Scientists fear that, as with other forms of discrimination, employers and insurance agents will merely find another pretext for refusing jobs and coverage.

The real solution, many believe, is an overhaul of the health system. "The problem is with the bealth system in the US, not witb genetic screening," says David Tennenbaum, director of specialty services for Blue Cross Blue Shield, a bealth insurer. "The Clinton bealth bill had a lot of weaknesses but there was one element in the reform, namely the elimination of pre-existing cooditions, which makes a lot of sense. People should not be excluded from insurance due to their health risks. Once that is changed, geoetic testing can move ahead without these concerns."

Looking ahead: polarised plastic lenses are being replaced with glasses that use a hi-tech, liquid-crystal shutter

All eyes on 3D video

Three-dimensional display systems are coming closer to home, explains **Robert Patton**

As advanced as home entertainment systems have become, 3D video remains a sligbtly out-of-reacb dream. Now Sony and Sanyo have announced, within weeks of each other, new 3D video display systems that offer big advances over previous approaches.

However, when Sony begins marketing this year, the projected price will be about Y3m (£20,000). The Sanyo system, whicb was developed in collaboration with Japan's public broadcasting system, NHK, could cost even more.

Althougb stereoscopic video systems have proved very difficult to develop, the basic principle behind all such systems is simple. Objects are seen in three dimensions because each eye sees tbe external world from a slightly different angle. The two images that result are processed by the brain to produce a single 3D image. All a 3D film or video system needs to do is to recreate and deliver those two separate images – one to the left eye, the other to the right.

In the early part of this century, three-dimensional still cameras and viewers were common. The cameras had two lenses and took two simultaneous photos which were mounted in a viewer resembling a pair of binoculars. But these cameras were commercially unsuccessful because they could not be shown to a number of people at the same time.

Three-dimensional motion pictures solved this problem. Polarised viewing glasses (whicb block out certain light waves) and polarised projection lenses allowed projection of polarised right- and left-eye views on the same big screen, then separated the images before they reached the sye of the beholder. Two projectors were used with one projection lens polarised vertically and the other, horizontally.

Conventional TV receivers could not use the same system since there is no way to polarise images before they reach the screen of the set. One approach used in the US occasionally to broadcast 3D movies is to tint the left- and right-eye images with red and green filters and then use coloured filters in viewing glasses to see the three-dimensional effect. Deptb is achieved at the expense of colour.

Tbe systems recently demonstrated by Sony and Sanyo use alternative approaches. The Sanyo/NHK system eliminates viewing glasses completely. These are replaced with a double-layer, lenticular (or biconvex) viewing screen that forces each eye to see a different image. But the image the eye sees depends on its position. Move the eye and the image changes. To see the stereoscopic, full-motioo video clearly, the viewer's head must be still.

Sony's system allows the viewer to enjoy a full range of head movement, but depends on viewing glasses. Instead of polarised plastic lenses, these glasses use a high-tech, liquid-crystal sbutter that forces the eyes to see alternate rather than simultaneous images. When tbe left-eye image is on screen the left-eye shutter in the viewing goggles is open and the right shutter is closed. When the right-eye image appears, the lens sbutters reverse. This sounds awkward, but it is not. Eacb eye sees 60 frames of video per second and there is no sensation of flickering from the switching of the shutter.

The advantage of Sony's approach is that, since the images are not displayed at the same time, only one display device is oeeded. Previous systems used two projectors to produce left- and right-eye images on the same screen.

One otber approach does away with viewing glasses. Last year, Victor Company of Japan, part of the Matsushita Electric Industrial Group, announced agreement with a number of firms on a specification for W-VHS video recording. W-VHS VCR can record and play standard television broadcasts in SD mode, high-definition broadcasts in HD mode, and simultaneous, two-channel hroadcasts in its SD2 mode. The SD2 mode can be used for stereo image recording and playback.

A prototype W-VHS system is currently under test for medical training applications. Surgical procedures are being taped using the SD2 mode and played back on two separate monitors. The procedures can be watched by medical students on either of the two monitors. Researchers claim that, with practice, it is possible to experience tbe stereoscopic vision effect by crossing the eyes slightly so that each is looking at a different monitor.

Medical applications are the principal focus of both Sony and Sanyo for their 3D systems because surgery is a three-dimensional procedure that can be learned only by observatioo and doing. Few students can observe at the chief surgeon's side. Video has helped to bring more eyes closer to the procedure, but two-dimensional video falls short of the mark.

When Sony's first systems become available this year, medical students will be able to view real surgery, not just in 3D, but with high-definition video as well. The Sony system includes a high-definition laser disk player that works with specialised 3D software and hardware to deliver the composite 3D video signal to a modified display. The disk player is standard but the display must present 120 frames per second – twice the usual number.

Other applications are being considered. Researchers believe the realism of stereoscopic picture and sound would be powerful selling tools in shops and showrooms that could create "virtual" inventories of costly merchandise without the very substantial cost of real inventory.

And, in the case of the Sanyo/NHK system which needs no glasses, outdoor advertising would have a powerful effect.

PEOPLE

Virtuality group appoints finance director

Virtuality Group, which designs and manufactures virtual reality computer games, has appointed Ray Ticer, a former finance executive with National Semiconductor and Apple Computer, as finance director. Ticer, 48, takes over today at the company, which was floated on the London Stock Exchange 14 months ago.

His appointment comes at an important time for Virtuality whicb recently announced a technoingy licensing agreement with Atari, America's largest computer games manufacturer.

He succeeds Mark Bernstein, who is resigning as a director but will continne to be involved with Virtuality on an advisory basis.

Ticer has more than 20 years of experience in financial and operational management, gained with National Semiconductor and Apple.

He joined National Semiconductor in 1972, with positions as financial controller in Singapore and Brazil before becoming European accounting manager and, in 1982, Corporate Accounting Manager in the US.

In 1984 he joined Apple as financial controller of manufacturing and assumed an operational role as logistics manager in 1987. From 1989 to 1991 he was financial controller of Latin America and since 1991 he has been a consultant to Apple. *Paul Taylor*

Blue Circle America: new president joins from rival

Blne Circle, one of the world's biggest cement-makers, has poached Gary Gentles, 45, president of Lafarge's US cement operation, to be president of Blue Circle America.

Gentles, who was educated in Canada and holds dual US and Canadian citizenship, began his career with Cement Canada Lafarge in Toronto.

After a four-year period with Youngstown Steel Tank in Ohio, he rejoined Lafarge in 1977. During his 17 years with the group he has held several posts in the US and Canada and has been president of Platres Lafarge in France.

Gentles will report to David Lovett, who has overall responsibility for the US and Chile.

Lovett is taking on the additional responsibilities of Tony Jackson, who is in charge of Blue Circle's heavy huilding materials division in Africa.

Jackson, who has been with Blue Circle, retired at the end of 1994 after 37 years with the group and 13 years as a main board director. But Jackson will cootinue to work as a consultant to Blue Circle in connection with its African operations and report to Lovett.

Ian McKenzie, who joined the group in 1977 and is chief executive of Blue Circle Cement in the UK, takes over Jackson's role as chairman of the the group environmental committee. *William Hall*

Crombie steers Scots shipping company

The new chairman of Caledonian MacBrayne, tbe government-owned shipping company which operates on the west coast of Scotland, is Graeme Crombie, who recently retired as managing director of Shell UK. Crombie, 54, will serve for three years and succeed Sandy Struthers who has held the non-executive post since 1990.

Crombie joined Shell in 1963 as a chemical trainee and managed parts of Shell Chemicals in North and Central America, as well as Europe, including the UK. He loves the west coast of Scotland and has a home and business interests on the isle of Bute in the Firth of Clyde.

CalMac's fleet of 32 ships provides the main ferry network along the west coast, operating to the Western Isles and in the Clyde estuary.

In 1994 CalMac survived an attempt by tbe Treasury to involve the private sector in its operations. After studying a report by KPMG, Scottish Office ministers decided that covering CalMac's operating losses was still the most cost-effective way of supporting ferry services to the islands. They also realised that any sort of privatisation of CalMac would be politically unpopular. *James Buxton*

NON-EXECUTIVE APPOINTMENTS

■ **Hugh Norton**, a director of BP Exploration and BP Chemicals, at INCHCAPE.

■ **Anne Minto**, deputy director general of the Engineering Employers' Federation, at NORTHUMBRIAN WATER GROUP.

■ **Ian Good**, as chairman, and **David Maxwell Scott** at The NORTH BRITISH DISTILLERY; **James Bruxner** is retiring.

■ **Baroness Hooper**, deputy speaker of the House of Lords, a governor of the Centre for Ginbal Energy Studies and a director of the Medical Defence Union, at SMITHKLINE BEECHAM.

■ **Matt Ridley**, former American editor of The Economist, at NORTHERN INVESTORS COMPANY.

■ **Robin Howe**, formerly president of the European interests of the Munters Group in Stockholm, has been appointed md of NEWMAN TONKS Architectural Products division and to the group operations board.

■ **Lord Kingsland**, former MEP for Shropshire and Stafford, and **Peter Dale**, chief executive of Crossman Block, at The COBA GROUP.

■ **Edward Zander**, president of SunSoft Inc, at TRINZIC.

■ **John Webster**, chairman of Second Consolidated Investment Trust and Fleming Geared Income and Assets Investment Trust and retired director of Sun Life Assurance Society, at VENTURI INVESTMENT TRUST.

■ **Samnel Pickstock**, retired director of Tarmac, **Peter Quinn**, former chairman of the Phoenix Timber Group, and **David Thornham**, former md of corporate and institutional banking division of Midland Bank, at COUNTRYSIDE PROPERTIES; **Christopber Crook** and **David Doig** have resigned.

■ **Maurice Paterson**, former deputy md of Scottish Amicable Life Assurance Society, at REFUGE GROUP; **Patrick Smith** has retired.

■ **Vartkis Boghos**, who retired recently as chairman and chief executive of St Paul (UK), part of the Minnesota-based insurance group, which owns Minet Holdings, as chairman of the holding company of LEES PRESTON FAIRY, the international reinsurance broker at Lloyd's of London.

■ **Dennis Crosby**, formerly an executive director, at CAPITAL INDUSTRIES, until he retires next May.

■ **Anthony Martin**, former chief executive of Celsis International, at TEPNEL LIFE SCIENCES.

■ **Roger Warren Evans**, a barrister most recently with J. Sainsbury, at ESTATES & AGENCY HOLDINGS.

■ **Sir Peter Parker**, chairman of Mitsubishi Electric UK, at CLM INSURANCE FUND.

■ **Peter Springett** at AAF INDUSTRIES.

■ **Elizabeth Vallance**, a non-executive director of HMV Group and chairman of St George's Healthcare NHS trust, at NORWICH UNION. Married to Iain Vallance, chairman of BT, she is a former head of politics at Queen Mary and Westfield College, University of London, where she is now a visiting professor.

■ **David Hubbard**, chairman of Powell Duffryn and London and Manchester, at SLOUGH ESTATES.

■ **Michael Dawson**, chairman of Tunstall Group, at EUROCOPY.

■ **John Green-Armytage** has resigned from R.E.A. HOLDINGS and from ROWE EVANS INVESTMENTS.

■ **Bill Cran**, chief executive of Birkby, as chairman at HEADWAY.

■ **John Emly**, a director of Robert Fleming Holdings, at HEMINGWAY PROPERTIES; **John Evans** has retired.

■ **Peter Turnbull**, ceo of Robson Rhodes and former group md of Lex Service, at BSG INTERNATIONAL.

■ **David Rogers**, chief executive of Amstrad, at BETACOM; **Ken Asbcroft** has retired.

■ **Brian North**, chairman of British Thornton and Games Workshop, at BRUNTCLIFFE AGGREGATES.

■ **Sir Michael Butler** and **Jeremy Lever** have retired from WELLCOME.

■ **Geoff Turton**, former director of Digital Equipment, at ADELPHI GROUP.

■ **Brian Thompson**, a former past president of the Institute of Chartered Secretaries and Administrators, at SKILLCHANGE SYSTEMS.

■ **Richard Thornton** at THORNTON PAN EUROPEAN INVESTMENT TRUST.

■ **David Gadsby** as deputy chairman at A&C BLACK as from April 27 when he retires as joint md.

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ARTS

Sculptural Graces and Venetian glories

William Packer looks back at 12 months of memorable happenings in the world of art

The visual arts last year were full of treats and disappointments, surprises and frustrations. What else would we expect? In any age, there will be more bad art produced than good, and the public taste will shift and change even in relation to work that has long been checked and sifted through the sieve of time. How else do we explain the inconsistencies and reversals in the saga of Canova's "Three Graces", the final twist and resolution of which was for me one of the unqualified good and right things of the year?

For here was a beautiful work, commissioned by an Englishman, a Duke of Bedford, directly from one of the world's great sculptors. Yet feeling on the issue often ran so high against it that one might have thought the artist the most inept and inconsiderable, and his work hideous. The truth is that, just as the Pre-Raphaelites and the High Victorians were all but invisible and discounted a bare generation ago, so is neo-classicism – and neo-classical sculpture in particular still presents great difficulty even to the most cultivated taste. The political decision to keep His Grace's "Graces" here was as brave as it was correct.

The Royal Academy's magnificent autumn offering, *The Glory of Venice*, despite its faults and *lacunae* – and there were a few – was for me as high a spot as one could wish for in any year. Yet some of my critical colleagues seemed almost to suggest that the best course was to steer well clear of such decadent, trivial and dubious stuff. Piazzetta decadent, Tiepolo trivial, Canaletto and Bellotto aesthetically incorrect? The mere fact that the old Venice, doomed as she was by the 18th century, could still produce such marvels is remarkable enough to justify any such exhibition. The treats we actually got were clearly more than we deserved.

Most of our principal public institutions came up with something special in 1994 – some quite modest, but special nonetheless. Last January arrived with the John Minton retrospective at the Royal College of Art, and at the Royal Academy a definitive selection from Dr Alexandre's long-hidden cache of drawings by Modigliani. Then followed Medardo Rosso, the Italian symbolist and expressionist sculptor, at the Whitechapel, the small paintings of Goya at the RA and, at the Tate, a ground-breaking, extraordinary study of the creative relationship between Picasso's painting and sculpture.

Gainsborough and Reynolds in the Royal Collection were compared at the Queen's Gallery, Salvador Dali as a young man most usefully studied at the Hayward, and Rex Whistler given an appropriate commemoration, 50 years on from his death in action in Normandy, at the Army Museum. The Tate gave Kitaj the full retrospective treatment in midsummer, warts and all – which was the proper thing to do although it provoked controversy. Sandra Blow, at the RA, and Maggi Hambling, at the Barbican, each had strong solo shows.

The Hayward's summer offering of Bonnard at work in his last years at his house, le Bosquet, at Cannes, was materially the most beautiful and, in size and presentation, the most perfectly judged show of the year. Franz Kline at Whitechapel was a timely reappraisal of an important American abstract impressionist; Camden Art Centre's celebration of Patrick Heron's recent work a just tribute to an equivalent British contemporary.

With the fine and long-overdue retrospective of James Whistler at the Tate: *A Bitter Truth*, Richard Cork's study of European Art in its response to the awful stimulus of the first world war; and *Young Michelangelo* at the National Gallery, the year hardly faded with the leaves in autumn. And there has been plenty to take us out of London.

The semi-permanent installation of Henry Moore at the Yorkshire Sculpture Park is an important development, and the Park also helped to celebrate appropriately the 70th birthdays of our sculptor knights, Anthony Caro and Eduardo Paolozzi. The Barbara Hepworth retrospective at the Liverpool Tate was outstanding, and I very much admired the paintings of Marie-Louise Motesiczky, now in her 90s, at the Manchester City Art Gallery. The admirable Tate at St Ives has more than tripled its projected attendances.

In the private galleries, Maurice Cockrill and Carel Weight were shown at Bernard Jacobson, Roger Ackling and Alan Green at Annely Juda, Albert Irvin at Gimpel Fils, David Hepher and John Bellany together at Flowers East, Ellsworth Kelly at Anthony d'Offay. Terry Frost and The Kitchen Sink Painters at the Mayor, John Ward at Hazlitt Gooden & Fox, Balthus at Lefevre, Euan Uglow, Myles Murphy and Anthony Eyton together at Browse & Darby, were all in their different ways memorable.

Abroad, Paris gave us *The Origins of Impressionism* and *La Beauté Exacte*, a study of Dutch painting from Van Gogh to Mondrian, in the spring, and Poussin in the autumn. There was also a ravishing centenary show of Monet's Rouen Cathedral façades, at Rouen; and there was the extraordinary, amazing show of Renaissance architectural models at the Palazzo Crassi at Venice.

So you can see that, overall, I am not complaining. I have never accepted the common grouse that none of these great foreign exhibitions ever come to London, that London is a backwater, and all that. We have pleoty of extremely good things at home, and an excuse to go to Paris is just that; an excuse to go to Paris.

There were, of course, low points. The Hayward's *Unbound: possibilities in painting* was, to say the least, a missed opportunity, narrow, affected and uncritical in ita approach when there is so much good painting going on. Damien Hirst's *Some Went Mad, Some Ran Away*... at the Serpentine was disappointing too, if only as an anti-climax, for I had hoped to be shocked just a bit.

The Romantic Spirit in German Art 1790-1990, at Edinburgh and the Hayward, was simply misconceived. The RA's *Lessons in Life* was a betrayal of all that the study of the life figure once stood for, and still should. The new Jerwood Prize for painting is to be welcomed but, in the event, proved to he another missed opportunity, at least at this first attempt. We shall see.

As for opportunities actually taken for once, the Tate's proposed redevelopment of the Bankside Power Station is entirely to be welcomed. The arguments on paper were convincing enough, but to visit the site itself is to be utterly persuaded. That the project will give us a new museum of modern art of a scope commensurate with London's standing as one of the world's great capitals, is very good news indeed.


'St James of Compostela' by Giovanni Battista Tiepolo in the Venice exhibition at the Royal Academy; and Bonnard's 'Standing Nude' at the Hayward

The best of the blue times

Jazz musicians have had a tough year but proved enterprising, writes **Garry Booth**

Jazz musicians are used to lean times. The popularity of their music ebbs and flows, clubs open and close, record deals come and go, funding dries up. And 1994 was, well, kind of blue like that.

But they are an enterprising hreed and usually have something to fall back on in hard times. In Charlie Parker's case it was an acrylic alto sax. No self-respecting pawnbroker would ever have taken a plastic instrument as security for a loan so Parker knew he would always have something to play, in spite of himself. At the tail end of last year it went under the hammer at Christie's for £93,500.

British altoist Peter King played that most expensive horn ever at the sale. There is a man who has seen favours come and go but trodden a steady path. His peerless improvisation contributed to the prolonged success of young pianist Julian Joseph during the summer. Three impressive nights at the Barbican and several more at the Wigmore Hall in a variety of settings from orchestral to small group, showed the young Londoner to have properly arrived in 1994.

But it was the clubs, which often suffer worst in hard times, and not the hig halls, which provided the best nights out for this critic in 1994. Top of the heap was singer Cassandra Wilson whose honeyed contralto mesmerised the usually jazz-less Jazz Café. Her own songs, and others taken from sources diverse as Robert Johnson, Joni Mitchell and Van Morrison, are arranged as dream sequences and seemingly delivered through the ether. (Buy the album *Blue Light 'Til Dawn*, Blue Note 0777 81357 2.)

In sharp (and I mean *sharp*) contrast, playing the sort of music which connects directly to the tradition hy way of Sonny Rollins, stylish teoor player Joshua Redman hlew the house down at Ronnie Scott's for a solid week. He is the soo of Texan tenorist Dewey Redman, grandson of arranger Don Redman and it is said that he almost opted for a career in law rather than jazz after university. If his summing up was as aggressively persuasive as his cadenzas, he could make more than a top lawyer.

South African trumpeter Hugh Masekela kept Ronnie's busy later in the summer with his idiosyncratically infectious, funky Afro-jazz. An open air reunion match – it never quite came to hlows – with ex-wife Miriam Makeba caused gridlock around Highhury Fields a couple of weekends later.

Jimmy Smith parked his B3 at Dingwall's, the dollied up North London club which cannot make up its mind if it wants to be a music venue or not, and showed that in the right hands the old technology can out-swing the new. Such is the appetite for the old roué's greasy organ sound among the dance set, he came back to fill the Hammersmith Palais in the autumn.

My favourite festivals were those which contrived to put challenging jazz on in convivial aettings: at the London Jazz Festival we had a lazy day of strange hut heautiful extemporisation in Sadler's Wells culminating in the exquisite meanderings of Carla Bley (piano), Steve Swallow (bass guitar) and Andy Sheppard (saxophones).

At Glasgow a small congregation in the Ramshorn Kirk were preached to gently hy a duet of Englishmeo; Tony Coe (saxophones) and John Horler (piano). Bountiful Brecon almost hlew it by allowing the BBC to wreck its Market Hall ahows hut compensated hy shoehorning Trevor Watts Moire Music Drum Orchestra into the town's splendidly shabby little Guildhall.

Of the many discs that landed on the welcome-mat this year, Charlie Haden's *Always Say Goodbye* (Verve 521 501) stood out for originality as well as musicality. Using sophisticated duhhing techniques tha bassist's classy quartet is joined hy the ghosts of Coleman Hawkins, Duke Ellington and Chet Baker.

Vincent Herring's *Folklore* (Limelight 522 430) and David Sanchez' dehut *The Departure* (Columbia 476507) demonstrated that 40 years on from the death of Bird, bebop is safe in the hands of young horn-players. For worldbeat, rhythm and reeds Trevor Watts' hypnotic drum orchestra on *A Wider Embrace* (ECM 1449 521 351) is hard to top.

For the New Year's knees-up Jazz Jamaica's *Skaravan* (Ska CD001) is in a high stepping league of its own. Of the re-releases, the most inspired was Rhino's *Beauty Is A Rare Thing* (R2 71410), the complete Atlantic recordings of Ornette Coleman.

Perhaps it wasn't such a had year, after all.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● European Baroque Orchestra: Wieland Kuijken conducts Telemann, Muffat and Bach at 8.15 pm; Jan 8
● Royal Concertgebouw Orchestra: Charles Dutoit conducts Berlioz, Lalo, Stravinsky and Ravel at 8.15 pm; Jan 4, 5, 8
GALLERIES
Van Gogh Museum Tel: (020) 570 5200
● Odilon Redon: retrospective of the French artist's work with over 150 paintings, etchings and lithographs; to Jan 14
OPERA/BALLET
Het Muziektheater Tel:(020) 551 8922
● L'Italiana in Algeri: by Rossini. Produced by Dario Fo, conducted Alberto Zedda at 8 pm; Jan 13, 15 (1.30 pm)

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel:(030) 3 41 92 49
● Ballet Evening: premiere of works by Debussy, Poulenc and Stravinsky. Conducted by Sebastian Lang-Lessing, choreography by Nacho Duato, Glen Tetley and Harris Mandafounis at 7 pm; Jan 14 (8 pm)
● Der Rosenkavalier: by Strauss. Conductor Jiří Kout, production by Göz Friedrich at 6 pm; Jan 8, 15,
● Zar und Zimmerman: by Lortzing. Conducted by Hans Hilsdorf, produced by Winfried Bauernfeind at 7 pm; Jan 10, 13 (8 pm)
Staatsoper Unter den Linden Tel: (030) 2 00 4762
● Die Zauberflöte: by Mozart. Conductor Daniel Barenboim, production by August Everding at 7 pm; Jan 4, 7

■ BRUSSELS

CONCERTS
Philharmonique de Bruxelles Tel: (02) 507 84 34
● Abdel-Rahman El-Bacha: pianist plays Chopin at 8 pm; Jan 11
● Belgian National Orchestra: with soprano Zsuzsa Misura and baritone Andras Molnar, and conducted by Yuri Simonov plays Wagner at 8 pm; Jan 12
● Monnaie Symphony Orchestra: with the Monnaie Choir conducted by Antonio Pappano plays Brahms at 8 pm; Jan 8

■ LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● London Symphony Orchestra: conducted by Ivan Fischer plays Dvořák at 7.30 pm; Jan 12
● Royal Philharmonic Orchestra: conducted by Bramwell Tovey plays Mendelssohn, Handel, Bruch and Beethoven at 8 pm; Jan 7
Queen Elizabeth Hall Tel: (071) 928 8800
● Handel: Messiah: James Gaddarn conducts the London Orpheus Orchestra and the London Orpheus Choir at 7.30 pm; Jan 15,
● Orchestra of the 18th Century: with conductor Frans Bruggen and soprano Cyndia Sieden plays Haydn, Mozart and Beethoven at 7.45 pm; Jan 12
GALLERIES
Hayward Tel: (071) 281 0127
● The Romantic Spirit in Romantic Art 1790-1990: examines work of early Romantic painters. Includes section on German Expressionists; to Jan 8
Tate Tel: (071) 887 8000
● James McNeill Whistler: major survey of the Victorian painter and designer; to Jan 8
OPERA/BALLET
English National Opera Tel: (071) 632 8300
● Figaro's Wedding: in house dabut for conductor Derrick Inouye at 7 pm; Jan 11, 14
Royal Opera House Tel: (071) 340 4000
● Cinderella: music by Prokofiev. Created by Fredrick Ashton in 1948, this was the first full-length ballat by an English choreographer at 7.30 pm; Jan 3, 14
● Othello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky. In Italian with English surtitles at 7.30 pm; Jan 13
● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 5
● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjomson at 7.30 pm; Jan 4 (2 pm)
THEATRE
National, Lyttelton Tel: (071) 928 2252
● Out of a House Walked a Man: hy Daniil Kharms. A Royal National Theatre and Theatre da Complicite co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Jan 7 (2.15 pm)
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Jan 9, 10 (2.15 pm), 11
Queen Elizabeth Hall Tel: (071) 928 8800
● Cinderella: by Rossini. Tha Music Theatre London present this new translation hy conductor and musical arranger Tony Britten, and director Nicholas Broadhurst at 7.15 pm; to Jan 3 (Not Sun)

■ NEW YORK

GALLERIES
Brooklyn Museum Tel: (718) 638 5000
● Indian Minature Paintings: 80 jewel-like paintings from the 15th -19th century; to Jan 8 (Not Mon)
Metropolitan
● Ann Hamilton: exhihition reveals the artist's interest in the relationship between sight and touch; to Jan 3
● Origins of Impressionism: 175 paintings by Parisian artists of tha 1860's; to Jan 8 (Not Mon)
● Willem de Kooning's Paintings; to Jan 8 (Not Mon)
Museum of Modern Art Tel: (212) 708 9480
● Cy Twombly: Comprehensive retrospectiva of the contemporary American artist; to Jan 10
OPERA/BALLET
Lincoln Center Tel: (212) 721 6500
● Heather Watts Final Performance: New York City Ballet principla dancer Heather Watts gives her last performance in George Balanchine's Bugaku and Peter Martins' Valse Triste at 7 pm; Jan 15
Metropolitan Tel: (212) 362 6000
● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Jan 5, 7, 11, 14 (1.30 pm)
● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Möller at 8 pm; Jan 6, 9, 14
● Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnella, conducted by James Levine at 8 pm; Jan 12
● Madama Butterfly: by Puccini at 8 pm; Jan 4, 7, 10, 13
● Peter Grimes: by Britten. English at 8 pm; Jan 3
THEATRE
Richard Rodgers Theatre Tel: (212) 307 4100
● A Christmas Carol: angaging one-man show of the classic with Patrick Stewart at 8 pm; to Jan 8

■ PARIS

GALLERIES
Grand Palais Tel: (1) 44 13 17 17
● Gustave Caillebotte: retrospective of the painter and patron of art who belonged to the circle of Impressionists; to Jan 9
Institut du Monde Arabe Tel: (1) 40 51 38 38
● Delacroix in Morocco: Delacroix's visit in 1832, when he was 34, made a lasting impression on his art; to Jan 15 (Not Mon)
Musée d'Orsay Tel: (1) 45 49 11 11
● Forgotten Treasures from Cairo: a rich collection of works by Ingres, Courbet, Monet, Rodin, Gauguin and others; to Jan 9 (Not Mon)
OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● Christina Hoyos: Flamenco choreographed by Hoyos, Marin and Galia, music by Paco Arrigas et 8.30 pm; to Jan 7

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● Yo-Yo Ma: the cellist along with pianist Emanuel Ax, violinist Pamele Frank, clarinetist Paul Meyer and flutist Euginia Zukerman plays Brahms and Schoenberg at 8.30 pm; Jan 11
GALLERIES
National Gallery Tel: (202) 737 4215
● Roy Lichtenstein: A survey apanning four decades of the American Pop artist; to Jan 8
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Jan 7 (7 pm) , 9 (7 pm) , 13
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 8 pm; Jan 8 (2 pm)
● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 14 (7 pm)
THEATRE
Arena Stage Kreeger Theater Tel: (202) 554 9066
● Misalliance: by Bernard Shaw, directed by Kyle Donnelly; to Jan 8

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MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230
MONDAY
NBC/Super Channel: FT Reports 1230.
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Euronews: FT Reports 0745, 1315, 1545, 1815, 2345
WEDNESDAY
NBC/Super Channel: FT Reports 1230
FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030
SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Forecast 95

David Hale predicts that US economic growth will fade

Go slow ahead

The outlook for the US economy in 1995 is more clear-cut than at any time since the decade began. After expanding by nearly 4 per cent during 1994, the US economy's growth rate will fade to the 2-2.5 per cent range by the second half of this year.

The US economy will slow because the Federal Reserve fears that a level of output growth any higher than 2.5 per cent will revive inflation. What remains unclear is how far the Federal Reserve will have to push short-term interest rates in order to achieve its growth target, and whether it will be able to fine-tune a soft landing before there is a visible acceleration of consumer prices.

The economy's resilience during 1994 surprised many forecasters because the early years of the current recovery were characterised by growth rates far more subdued than any other postwar business cycle. It was only in 1994 that the US economy regained the cyclical vigour in employment and income growth that typically occurred during the first two years of previous business recoveries.

The shift from jobless growth to robust employment gains resulted from the abatement of the banking crisis of the early 1990s. Since 1980, America's large Fortune 500 companies have reduced employment from 16.5m to 11.5m, while total US employment has increased by 22m because of the vitality of the small business sector.

The credit crunch of the early 1990s stalled this job creation temporarily, but it revived after 1992 because of record Wall Street fund raising for small and medium-sized companies, as well as a resurgence of bank lending to all sectors. Job creation from new business start-ups has shot up to levels as high as 165,000 a month recently, from only 5,000 a month in early 1992.

The rebound in output and employment growth during 1994 has pushed rates of capacity utilisation and unemployment to levels that could revive inflation if the economy's growth rate does not slow. The Fed perceives the optimal level of unemployment to be about 6.0 per cent, and it is already at 5.3 per cent in the nation excluding California.

As a result, the Fed has increased short-term interest rates to 5.5 per cent from 3.0 per cent one year ago. There is no consensus on Wall Street about how much further the Fed will have to tighten, but in previous periods of monetary tightening – excluding the oil price shocks of the 1970s – short-term rates have typically risen by 4 percentage points.

The primary risk in the outlook is that banks are now so anxious to promote lending growth that the credit expansion will not slacken until there is a financial accident.

In the modern era, the level of interest rates alone has seldom provided a complete measure of US monetary restraint. During the mid and late 1980s, US real interest rates were high but credit was easily available to everyone. In the early 1990s, interest rates fell sharply but credit was severely rationed because of the crisis in the banking industry. Since 1993, the Fed has nearly doubled the level of short-term interest rates, but credit is far more readily available today than two years ago because banks are once again competing to make loans. The Fed's tightening during 1994 produced large bond trading losses at some hedge funds, banks and municipal treasuries, but it has not created a systemic crisis severe enough to dampen the real economy.

The primary casualty of Fed tightening has been Mexico. Rising US interest rates, coupled with the prospect that Mexico's current account deficit would shoot up as its economy recovered, encouraged such heavy selling of the peso that the central bank had to abandon its exchange rate target and raise interest rates.

The crisis will probably force Mexico into recession and depress US exports there (10 per cent of the total). But because US investors have lost $10bn in Mexican seecurities during the past two weeks, capital outflows to emerging markets may diminish and thus lessen upward pressure on US bond yields.

The major new wild card in the US outlook is the Republican takeover of Congress. The Republicans have promised to reduce middle-class taxes without expanding the federal deficit, by slashing government expenditures on programmes other than defence and income entitlements, such as social security. Many analysts fear that these promises will cause the federal deficit to rise sharply from its current level of $200bn – despite the fact that the economy is already at full employment.

But several factors suggest that changes in fiscal policy will be cautious. In 1990, Congress enacted laws requiring all adjustments in tax or spending policy to be deficit-neutral. As the Republicans now control both houses of Congress, they will find it easier to enact spending cuts than in the Reagan years.

They will probably also approve a balanced budget amendment to the constitution, intensifying the psychological pressure to balance tax and spending cuts. As a result of these fiscal policy constraints, the economic consequences of the Republican victory will probably be new tax incentives and attempts to reduce the burden of government regulation, not large increases in the federal deficit.

While monetary tightening will depress house building and consumer spending next year, there should be continued healthy growth in exports and business investment. The world economy is recovering and corporate profits have risen sharply since 1991.

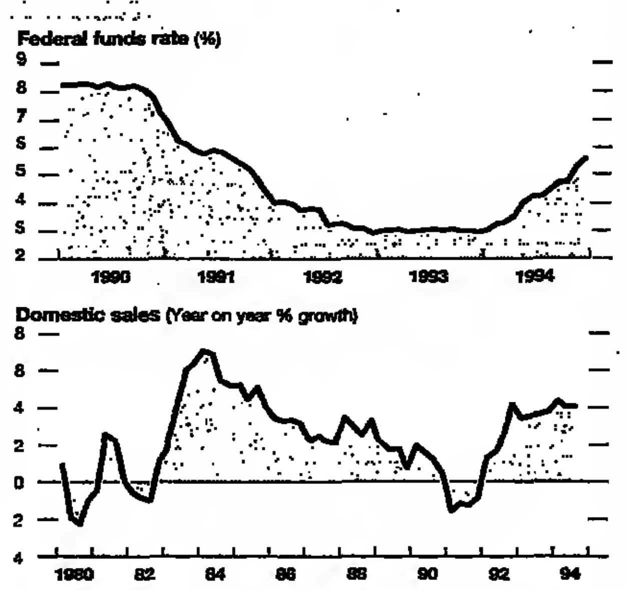
The new capacity constraints in US manufacturing will cause the trade deficit to soar towards $200bn in 1995 from only $74bn in 1991. But it could fall by £40bn-£50bn in 1996 when domestic spending slows.

If Republican proposals to reduce capital gains taxes boost the stock market, the dollar will probably rally as capital outflows from the US decline. But the dollar has reached such competitive levels against other OECD currencies that it will not pose a threat to American exports.

Since 1950, only two out of seven US business cycles have endured beyond a fifth year, and they did so primarily because there was a mid-cycle growth pause which constrained inflation. If the current expansion is to persist beyond five years, it will be because the Fed fine-tunes a slowdown in domestic spending quickly enough during 1995 to subdue incipient inflation pressures while freeing up industrial capacity for a shift to export-led growth next year.

The author is chief economist at Kemper Financial Companies

US: reduced growth



Forecast 95

Cause for celebration

The UK's recovery should prove durable, says **Bill Robinson**

Something remarkable is happening to the UK economy. Output is rising faster than prices and the upswing is accompanied by an improving current account. Is this just a favourable cyclical conjuncture, or is something more fundamental going right?

I believe that the economy has embarked on a recovery that is essentially a long-delayed reaction to the loss of North Sea oil revenues. Its salient feature is that, although output will probably rise by more than 4 per cent in 1995, it is unlikely that real take-home pay will rise half as fast. That is why the recovery, though little appreciated by consumers, should persist.

The contrast with the 1980s is stark. For 15 years after North Sea oil came on-stream, UK consumption grew by about 1 per cent per annum *faster* than production. The government's North Sea revenues held down the tax bills of the voter. Oil exports buoyed up the exchange rate, keeping imports and foreign holidays cheap. Life was good for consumers. The service sector boomed and the government won three elections.

There was a dark side to the oil bonanza, however. UK exporters suffered from the strong exchange rate and many businesses closed. Some who lost their jobs found new ones in the expanding service sector; the others became unemployed.

The bonanza might have come to an end when the oil price virtually halved and production peaked in 1986. Instead the UK went on a borrowing spree. Consumption continued to grow faster than output, buoyed up by tax cuts and a strong exchange rate. Having chosen not to live within reduced means, the UK ran into debt as a consequence.

That sequence of events is now reversing. The only way of converting the oil revenues into higher living standards was via lower taxes and a strong exchange rate. Conversely, today's reduced circumstances require higher taxes and a lower exchange rate. Black Wednesday and sterling's departure from the exchange rate mechanism delivered the exchange rate adjustment. The two Budgets of 1993 put in place an unprecedented rolling programme of tax increases. They were reaffirmed this year and consolidated by spending cuts that should eliminate public borrowing by 1998-99.

That is why disposable income is rising very slowly, why consumer spending growth is unspectacular compared with the late 1980s, why retailers are complaining of excess capacity – and why the feel-good factor is absent.

But the bright side of the story is that manufacturing exports, once crowded out by oil, are needed again. The competitive exchange rate makes it easy to sell abroad, and some of the massive investment of the late 1980s (by Japanese car producers, for example) was in exporting capacity aimed at the European market. The upshot is that the recovery is now being led by exports, and the balance of payments is improving. That is the first reason why this recovery should prove more durable than most.

The second reason is that prospects for inflation are even better than for the current account. Wage increases of about 4 per cent are, at the present rate of growth, matched by productivity gains. As a result, unit costs are stable and UK exporters will hang on to the competitive margin that has helped them to achieve spectacular growth in exports to a reviving EU market this year.

This makes it pretty likely that 1995 will be another good year, with output growing by 4 per cent or more.

Although capacity growth will accelerate this year – the government is expecting 10 per cent real growth in business investment – it is unlikely to match the growth of demand. But there is still spare capacity in the system, especially in the labour market, and with many firms taking on extra labour to cope with high demand, unemployment will continue to fall.

Fears that we are on the threshold of another consumption-led inflationary boom are misplaced. Consumer demand, curbed by tax rises, is heavily dependent on people continuing to save less or borrow more. Yet bank borrowing was subdued even before the latest interest rate increases. Broad monetary growth is under 5 per cent and at the bottom of its target range (in the heady late 1980s it averaged 18 per cent). So there is little likelihood of excessive consumption growth crowding out the expected growth of exports and investment. If there is a risk, it is on the downside.

It could all go wrong, especially if the chancellor listens to the foolish talk of tax cuts before the next election. But if the politicians are tempted, they will be brought to heel by the most powerful central bank governor in modern UK history. Mr Eddie George, relishing his new-found independence of the Treasury, has secured two increases in interest rates and is ready to implement further rises if he sees any loosening of fiscal policy.

And if he doesn't frighten the backbenchers, the bond market should. Investors worldwide have this year decided that inflation is heading upwards and are demanding compensation in advance. Long rates, worldwide, have risen by some 2 percentage points since the start of the year while inflation has gone on falling.

The UK has been in an inflationary downswing since Keynesianism was abandoned in the mid-1970s. The Thatcher administrations transformed the wage bargaining climate in the early 1980s by their greater willingness to tolerate unemployment – and rewriting the rules governing trade unions. Wage inflation has been ratcheted down in three successive cycles, falling rapidly after each of the recessions of 1975, 1980 and 1990.

These disinflationary forces are emphasised by the downward pressure on prices: competition from south-east Asia; a squeeze on retail margins; lower charges in service industries, from the audit to boarding school fees; and deregulation sweeping away professional mystique and the associated price premium.

These micro-economic changes have wrong-footed the macro-forecasters. For three years in a row, inflation has come in below the consensus forecast, while output growth has come in higher. That may happen again in 1995. The consensus is that inflation will rise this year, but I expect it to remain close to 2 per cent.

The author is a director of the London Economics consultancy and was special adviser to former chancellor Norman Lamont

UK: export-led upturn

(% growth)	1992	1993	1994	1995
Output	–0.5	2.00	4.00	4.00
Inflation (RPI ex Mips*, Q4)	3.71	2.75	2.00	2.00
Consumer spending	nil	2.50	2.50	2.00

Source: Datastream/1995 author's predictions

* Mortgage interest payments

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not band written. Please set fax for finest resolution

More far-reaching remedies needed to beat corruption

From Mr Robert Mabro.

Sir, The attention you gave to the problem of corruption ("A year of corruption", December 30) is welcome – the more one says about the subject, the better – but yonr leader ("Corruption has no frontiers") is a bit shallow.

You rightly say that corruption is encouraged by excessive regulation, cumbersoma bureaucracies, distorting economic policies. But as this is only one part of the story the remedies advocated (deregulation, privatisation, etc) which may close certain opportunities for bribery will not eradicate the practice.

First, there are laws which cannot be abolished if society wishes to remain civilised. The drug smuggler, for example, has an incentive to bribe. Should we then decriminalise *all* drugs?

Second, many bribes are in the form of commissions or gifts to secure contracts. To privatise all national industries will not necessarily dispose of the problem. Bribes are also paid by private sector companies to individuals in other private companies who decide on contracts.

Third, the temptations to offer and accept bribes exist wherever power is exercised. It is not enough to limit the scope of the state on the economic sphere. The actions of politicians, civil servants and all those with power in the private sector should be subject to public scrutiny. It is a pity that you do not advocate a very far-reaching Freedom of Information Act and narrower limits to the area of "commercial confidentiality" in the private sector.

Robert Mabro,
director, Oxford Institute for Energy Studies,
57 Woodstock Road,
Oxford OX2 6FA

A deplorable action

From Mr David Tallboys.

Sir, The action of tha directors of Pentos, putting a subsidiary into receivership so that loss is borne by creditors rather than shareholders, is deplorable ("Pentos forces Athena into receivership", December 29). The fact that its action is apparently legal highlights the pitiful standard of corporate governance in the UK and also shows what a feeble effort the Cadbury Report on corporate governance was.

The Stock Exchange could at least take some immediate action to redress the issue in respect of quoted companies. It should suspend the shares of any company which is attempting to avoid paying its creditors. The only time creditors should lose money is if the group as a whole falls, in which case they will at least be able to take some comfort from the fact that the shareholders have lost money too.

If the Stock Exchange has to pass some new rules quickly and make them retrospective, so as to apply to Pentos, so be it. The shareholders can hardly complain – it is, after all, they who should suffer a diminution in the value of their investment for backing a dud company.

David Tallboys,
Ash Villa,
Rosgill, Cumbria CA10 2QX

Good reasons for Labour to prepare the ground on constitutional reform

From Mr Jeff Rooker.

Sir, Philip Stephens's criticism of Labour's commitment to constitutional reform ("Now for the hard part", December 30/January 1) is not at all well founded. In fact, change in the way we allow government to govern is a bread and butter issue.

Constitutional reform is not about constitutional or electoral mechanics – it is about a new kind of politics to obtain a better quality of life and services for those wa seek to serve.

The following offers an example of why people can be comfortable with changa rather than being anxious about it. The need for a Bill of Rights and some devolution of central government power can be connected with the state of the increasingly fragmented National Health Service by pointing out that nurses' and doctors' gagging clauses would be outlawed and that NHS services would be run by and be accountable to those using them who live locally or regionally.

We do not have to offer a trade-off between aspects of constitutional reform and better services as long as we make the connections between them. Those like the prime minister, John Major, who are opposed to change, seek to create anxiety towards any change.

It may be the case that, without a written set of rules, the British people have come to take the ruling order for granted. The last thing Mr Major wants is for the rules about the way we are governed, etc, to be written down and protected by the British courts.

The British people have rumbled that all is not well with the state of the country. The penny has dropped that we do not have the checks and balances that other modern democracies have.

On the other hand, they will not want to be ambushed with new ideas during a general election – when it is easier for opponents to peddle believable lies.

This is precisely why the Labour leader, Tony Blair, has davoted mnch time and thought to softening up the ground to be more fertile to accept the reasons for widespread change in the way the country is governed.

It is very much a bread and bntter issue.

Jeff Rooker,
deputy shadow leader of the House of Commons,
London SW1A 0AA

Take a look at top-up contracts

From Mr Clive Baker.

Sir, I read with great interest the articles on pensions ("Survey of Personal Pension Plans", December 31).

I particularly liked the notion of deducting charges from the final benefit to arrive at a net growth figure. Given that most people are locked into their existing contracts, would it not be a good idea to run a similar article on Single Premium or "top-up" contracts which may be a valusble instrument for a saver to overcome the problems of excessive charges and costs.

These are a complex minefiald and only become dabunked when the pension date arrives.

Clive Baker,
23 Lime Tree Walk,
Stourport upon Severn,
Worcs DY13 8TY

Classic tax haven facilities offered by Irish corporate structure

From Mr Michael Whitwell.

Sir, Mr Torlach Denihan's sensitivity (Letters, December 19) to the appeliation "tax haven" is surprising, considering that the Irish non-resident company (mada possibla by concession of the Central Bank of Ireland) offers the classic facilities of a company registered in a tax haven, ie no taxation of income or gains, or the distribution of such income or gains, in the territory of incorporation, subject to certain simple preconditions. The Irish non-resident company meets the Oxford Dictionary definition of "haven" to a tee.

The rate of 10 per cent corporation tax on the profits of companies in Ireland's International Financial Services Centre is a rate regarded as unacceptably low by most daveloped countries' legislation for controlled foreign companies, and will normally trigger anti-avoidance legislation designed to combat tax haven entities.

Michael Whitwell,
chief executive,
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Bristol BS1 6JS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Tuesday January 3 1995

Europe looks south

Europe's biggest challenge since 1989 has been, and remains, the healing of the rift between its eastern and western halves. Second only to that is the challenge of relations with its southern neighbours.

EU members with Mediterranean coastlines have frequently complained that the post-1989 *Drang nach Osten* tends to leave them on the periphery of the Union, and to neglect the serious external problems on that periphery. For the next 18 months, three of those members – France, Spain and Italy – will in turn occupy the presidency. Now if ever is their chance to give the EU a southern strategy.

There can be no denying the seriousness of the economic and political crisis which the Arab world – and especially north Africa – is undergoing. Last week's hijacking drew attention to the fact, hitherto largely ignored in Europe, that Algeria, the largest and richest state of the Maghreb, is in the throes of a civil war hardly less barbaric than those ravaging former Yugoslavia and parts of the former Soviet Union. Nor is the background as dissimilar as it might seem. In one case ethnic hatred, in the other religious fanaticism, has run riot among the ruins of a corrupt one-party state which woefully mismanaged the economy.

Traditional values

In the Arab world as in eastern Europe there is a strong appetite for democracy, after decades of undemocratic rule, yet a risk that democracy could aggravate rather than alleviate economic problems. There is a large and growing surplus labour force, much of which is eager to emigrate to western Europe. And there is a revival of traditional, especially religious, values. But since the religious and cultural traditions are Islamic rather than Christian, this last development tends to widen, not bridge, the gap with Europe.

The most obvious difference is that the north African countries, not being European, are not regarded even as long-term candidates for EU membership. Their relationship with the EU, as third-world states adjoining a major economic power, is more comparable with that of Mexico with the US.

In both cultural and economic terms, the Mediterranean is wider than the Rio Grande. The EU's per capita GDP is 19 times that of the Mediterranean Arab countries. Even if output from the southern states were to double between now and 2010, their ever increasing population would ensure that the gap continues to widen.

Economic migrants

But this very fact obliges their EU neighbours to take an interest. If economic growth does not feed the extra mouths by absorbing the extra bodies into the local labour market, they will move northward either as economic migrants or as refugees from the political mayhem produced by greater and greater social stress.

There can be little hope of preventing this. But the EU's economic power can affect the scale of the problem in two ways: by carefully targeted financial assistance, and by providing a market for Arab products, so making local industry and agriculture more profitable and helping create local jobs. These two instruments are by no means mutually exclusive; but of the two, market access has much the better track record, if only because the careful targeting of aid is so much easier said than done.

Unfortunately, the southern EU states which are so acutely seized of the urgency of the problem are also the ones whose workers would face direct competition if the EU market were fully opened to the products which north Africans can most easily and profitably produce: textiles and, above all, Mediterranean agricultural products.

Those states also stand to lose if a fixed level of spending has to be shared among a larger number of recipients, whether to south or east. By contrast, they do not bear the main burden of any increase in EU expenditure. Consequently their governments tend to favour aid over market access, and increased spending over redistribution of current spending.

But their chances of winning support for that preference from their northern partners are small. If the three Mediterranean presidencies are indeed to forge a southern strategy of any consequence, they will have to grasp the nettle of market access.

A new year's debt resolution

Will 1995 herald the return of the first-world debt crisis? The twin rise in rich-country debt and long-term real interest rates means that the question cannot be dismissed out of hand. The developing world has come a long way in recent years, yet – as events in Mexico have shown – it is still the more likely venue for a nail-biting collapse in investor confidence. But if politically enfeebled and indebted developed countries are able to maintain their markets' trust in 1995, the most likely reason will be because the threat of a real crisis has forced them to mend their ways.

In its latest Economic Outlook, the OECD calculates that the average government deficit among OECD countries will be below 3 per cent of GDP in 1996, down from its 1993 peak of 4¼ per cent. This is not just the automatic effect of worldwide recovery.

The average "structural" deficit should also fall: to 2.9 per cent of GDP in 1996, compared with 3.5 per cent in 1992. At first glance, this would leave OECD budgets much as they were in 1980. The crucial difference, however, is that the average level of gross government debt was then the equivalent of a mere 42.5 per cent of GDP. In 1994, the figure was closer to 71 per cent.

Fears of a "global capital shortage" may be exaggerated. But if the stock of worldwide investment funds is being overstretched, it has more to do with the demands of rich country governments than of fast-developing ones. The switch by governments from net saving to net borrowing has accounted for more than half of the fall in industrial country savings over the past 15 years.

Pious demands

The desire to use the world's financial resources more responsibly has something in common with similarly pious demands about the environment. However desirable, governments do not rush to impose big sacrifices on the electorate in pursuit of a somewhat uncertain benefit, which is unlikely to be felt by those voters who pay the cost. When there is tangible threat of a national crisis, however, the calculation changes. This is because investors, unlike environmentalists, can apply pressure – by pushing up bond rates – that makes a change of course, not only more urgent, but more immediately beneficial for the country's finances.

Sweden, Italy and Canada all faced this danger in 1994, and took steps to avert disaster. But rising bond rates, spending overshoots, and political uncertainty have, arguably, left at least one – Italy – in a rather worse position entering 1995. None is off the bond traders' "critical list".

Vulnerable

As the OECD survey points out, these countries are particularly vulnerable to rising interest rates. Partly this is the automatic result of their heavy levels of debt: Sweden and Canada will have debt/GDP ratios close to or exceeding 100 per cent in 1995, while Italy's will top 125 per cent.

Low average debt maturity and a high share of floating debt make matters worse. Indeed, if real interest rates were simply to remain at their current level, the OECD calculates that all three nations would have to tighten fiscal policy by roughly another 1 per cent of GDP to maintain their current deficit-reducing plans. Add to this the possible slowing of economic growth due to higher interest rates, and, in the OECD's words, "the risk of serious debt spiral in several countries becomes clear".

Lower growth and continued high interest rates cast doubt on budget plans already agreed in Sweden, Canada and elsewhere. Yet the more immediate concern is about those countries where the ability to stick to even existing plans is in question: above all, Italy, where the collapse of the Berlusconi coalition has further muddied the prospects for concerted budgetary action.

Ironically, the world's bond investors have Italy to thank for the development of their business: it was merchants in the medieval republics of Northern Italy who established the world's first credit markets. Then, as now, credit depended on the belief that the promises would be honoured. A high priority for the new Italian government – of whatever complexion – will be to persuade international investors that Italy's IOUs still meet that test.

Global policeman called home

Jurek Martin asks whether the US will continue to play its role in keeping the world a safer place

Twice this century, the US has seriously flirted with isolationism, on both occasions after being on the winning side in war and after the Republican party had assumed control of Congress.

The romance was largely consummated in the interwar years, starting with non-participation in the League of Nations, moving on to ferocious tariffs on imported goods, and only definitively ending with Pearl Harbour. From 1946 to 1948, a similar option existed prior to the Berlin airlift and the assertion of internationalism by President Harry Truman in the face of the menace of the Soviet Union.

The historical comparisons need to be made today – and not simply because the US "won" the cold war and mostly rightwing Republicans are back in the saddle on Capitol Hill. Two years ago, a Democratic administration came to power committed to domestic priorities but was inexorably drawn into a series of external entanglements which have soured both politicians and public alike on the viability of the present framework in which international relations are conducted.

Serious caveats to the isolationism hypothesis must also be made. Whatever pitfalls it may have encountered, President Bill Clinton's administration is not about to fold its foreign tent and it is still charged with the principal responsibility for the exercise of foreign policy. After the last two world wars, the US economy was remarkably self-sufficient, but it is now far more inextricably embedded in global markets. Nor can it be assumed that the new Republican hierarchy is entirely dominated by the "American firsters" of 50 and 70 years ago and so vocal in the new media today.

Nevertheless, it does now appear that the Gulf war of 1991, fought in part to protect US oil supplies, will represent the high watermark of the classic assertion of US power for the foreseeable future – in the absence of cataclysmic developments such as a direct assault on Israel or a new Russian attempt to suborn eastern Europe. Mr Clinton repeatedly says – as did President George Bush before him – that the US cannot and will not serve as the only global policeman. But that raises valid questions of the extent to which the US will play its role in keeping the world a safer place.

There is no point in denying that the isolationist strain in US politics is stronger now than for many years. It is alive on the left of the Democratic party, which wants resources devoted to domestic problems, as well as on the right of the Republican party. It is seen at its most virulent in the libertarian and populist media, particularly the talk shows, the political influence of which was seen in last November's midterm elections. The failure of these combined forces to stop ratification of the Uruguay Round trade treaty will not necessarily discourage them.

Xenophobia is also on the rise. This was manifest in the successful California referendum denying social services to illegal immigrants and will surface again this year with legislation excluding even legal foreign residents from social benefits. Some prominent Republicans – men like Jack Kemp and Bill Bennett – have joined the Democratic administration in fighting this "nativist" trend. However, the vigour of the arguments of these former members of the Bush cabinet demonstrates how seriously they take the threat.

The biggest apparent menace to a continued and deep US involvement in external affairs comes in the person of Senator Jesse Helms of North Carolina, next chairman of the Senate foreign relations committee. It is too easy to dismiss him as a rightwing curmudgeon, usually navigable with care. Mr Helms now has a serious platform from which to pursue his perennial crusades – against multinationalism (the UN, World Bank, International Monetary Fund, etc), foreign aid in general, anything Russian or Chinese, and any government – particularly on the left – that dares to dissent from US policy. The world may have changed, but there is little evidence he has.

Congressional seniority provides an offsetting force: the dwindling band of Republican moderates is now also in leadership positions on Capitol Hill. Senator Richard Lugar of Indiana, for example, is certain to oppose any attempt to eviscerate the programme providing funds for the denuclearisation of the former Soviet Union that bears his name and that of Senator Sam Nunn, the Democrat from Georgia.

But it is reasonable to expect that US funding for a range of international endeavours – UN peacekeeping, the international financial and development agencies and foreign aid – will come under Republican attack. Already Senator Mitch McConnell from Kentucky, who will chair the all-important appropriations committee, has proposed a 20 per cent cut in foreign aid (except for Israel and perhaps Egypt but including a total severance of assistance to Africa). There are plenty of Democrats who think Mr McConnell is right.

Even some of the pillars of the postwar security network, including Nato, can expect tougher scrutiny. While Europe agonises over the degree to which Russian policies from Bosnia to Chechnya can be subject to official criticism, fewer qualms are expressed by the likes of Senator Robert Dole, the incoming majority leader, and Mr Zbigniew Brzezinski, President Jimmy Carter's national security adviser who is now an influential force in conservative foreign-policy thinking.

Both argue that Nato must expand rapidly to the east, regardless of Russian sensibilities, or die. Indeed, the progressive conservative disillusionment with the new Russia, exacerbated by Chechnya, puts even greater pressure on the Clinton administration's policies of co-operation and collaboration.

Western Europe, in particular, should be aware, if it is not already, of the more muscular, "take-it-or-leave-it" US leadership role advocated by Mr Dole, whose patience with Euro-prevarication over Bosnia has worn thin. If there is no peace on the ground, he will again insist on a unilateral US end to the arms embargo and the administration may not be strong enough to stop him. But there will be no US cavalry charging over the hill in the manner of old to change the course of the Balkan battle. And if Europe and the US bicker constantly, then demands for a folding of the US military umbrella are certain to surface.

Nor can the world expect, even if the current administration were secure enough to follow its inclinations, many repetitions of the sort of humanitarian intervention attempted disastrously in Somalia and belatedly in Rwanda.

Even hemispheric adventures such as Haiti now get a jaundiced reception, and Congress may demand a US withdrawal from the Caribbean island before the Pentagon considers its mission accomplished. The only clear regional exception would appear to be Cuba, should events take an ugly turn in President Fidel Castro's waning tenure.

Paradoxically, the old Republican preference for rattling sabres over negotiating quietly is still alive. This was seen at Christmas in the confrontation with North Korea over the downed US helicopter pilot, with Senator Dole far from alone in demanding that the US threaten to tear up last autumn's nuclear non-proliferation agreement with Pyongyang. China can also expect more vigorous criticism of its trade and human rights policies from Republicans in Congress.

But the appetite for conflict and confrontation may be more apparent than real. Back in the 1976 campaign, it was none other than Senator Dole, running for vice-president, who spoke disparagingly of this century's "Democrat wars", and neither he nor any other candidate is likely to declare Republican ones in the upcoming campaign for the White House.

That, of course, is the other rub. Looking inwards at its own problems, though with different solutions on offer from a Republican majority, the country may indeed display less interest in and tolerance about the outside world.

This leaves an opening for President Clinton to keep the foreign flag flying, no mean irony since he won election in the first place by running against a "foreign policy" president. But history also shows that Harry Truman, who began with dubious internationalist credentials, was able to turn irony to his advantage.

Clinton (centre): fighting the isolationist strain of Jesse Helms (right) and Robert Dole's more muscular approach

Kerin Hope on a project to computerise details of Greece's archaeological sites and artefacts

High-tech classic

The power of communications

Stacks of blue files filled with computer print-outs rise shoulder-high in the dingy office of Pantos Pantos, the man in charge of introducing information technology to Greek archaeologists. With funding from the European Union, Mr Pantos is launching a computerised archive to include about 400,000 ancient sites and monuments in Greece and several million artefacts unearthed during a century of scientific digging.

"It's a simple database, but it's a start," says Mr Pantos. "But it's taken us almost two years to log about 22,000 monuments registered only since the 1920s.

"We've been very slow at the culture ministry about getting going on databases, and not just because the state archaeological service is short of cash," he adds. "Archaeologists are suspicious of computers."

Mr Pantos accepts that his dream of a workstation at every museum, where finds would be logged in the nationwide catalogue of artefacts when they arrive from an excavation, will take time to achieve.

This is not just because archaeologists are inhibited about becoming involved with technology. In a field where professional jealousy runs high, important new finds may be hidden from rivals until an excavator publishes his dig report – a process that can take years.

Professor Sandy MacGillivray of Columbia University says: "You won't see much about Greek archaeology on the Internet, for example, because people don't like making details of what they've excavated available to others."

There is little enthusiasm among senior archaeologists for a database full of new material that would be easily accessible to hundreds of researchers. But this attitude provokes impatience among younger archaeologists. They spend a lot of their time staging rescue digs of limited duration for ruins unearthed on construction sites.

"There's not much opportunity these days for leisurely digging of sites you choose for yourself," says one recent entrant into archaeological service. "Good databases and computer networking with colleagues would help us analyse results faster and make rescue digging more worthwhile."

Looking after Greece's huge cultural heritage is the responsibility of some 300 poorly paid archaeologists attached to the culture ministry. Foreign archaeological missions in Greece are allowed to run summer digs at no more than 30 sites and also to carry out surveys.

Foreigners working on such digs say they find computers indispensable, both for recording finds and for statistical analysis. They would like laptop models to be designed to withstand the heat and dust of an excavation trench, and complain there is no software yet available to speed up routine jobs such as drawing pottery fragments.

"Virtually every new excavation starts up with a system for classifying finds. It would be hard to get funding if you didn't include a computer in the proposal," says Professor Susan Rotroff of Hunter College, New York.

The biggest US dig in Greece, at ancient Corinth, includes a project to create a computer-generated map of the site that combines the hundreds of plans produced by more than 90 years of digging.

On the ground, the ruins at Corinth form a confusing layer-cake of walls and streets constructed at different periods in the city's long history. Because US archaeologists dig here as part of their training, the maze of excavations now extends over several square kilometres.

On a computer screen, the site becomes easier to understand. One reason is that the surveyors are making their digital map using information from as many sources as possible – from satellite pictures to Renaissance travellers' drawings.

Professor David Romano of the University Museum, Philadelphia, who runs the project, says he can now look at the ancient landscape through the eyes of a Roman surveyor in the first century AD.

The ancient surveyor saw a grid pattern of streets and houses partly enclosed by a ruined Greek city wall. Outside the Roman colony, paved highways cut through narrow fields, leading to Corinth harbour and the nearby city of Sikyon.

"If you move from the computer picture to the landscape, you can still walk on sections of ancient highway and find modern fields which have kept the same dimensions since Roman times," Prof Romano says.

Unlike the pottery experts, archaeological surveyors have the advantage of being able to use commercial software produced for architects and civil engineers. In the longer run, the Corinth project will make possible computer-based surveys of ancient cities.

These should be as useful to Greek public works planners as to archaeologists. But as Mr Pantos puts it: "We must first get used to the idea that information about the past should be shared."

OBSERVER

Whipper-in, or out?

■ Britain's foreign secretary Douglas Hurd is not the only member of John Major's team contemplating quitting in 1995. Young Richard Ryder, one of the longest-serving members of the prime minister's inner court, is thinking not only of stepping down as chief whip but giving up as a member of Parliament after the next election.

The *bête noire* of the Tory Eurosceptics, after his recent expulsion of nine of their number from the parliamentary party, Ryder is one of a dying breed on the Tory benches at Westminster: an MP who can imagine life without a ministerial car and a politician who remains convinced that there is life after politics.

He has not yet made up his mind about quitting his Mid-Norfolk constituency, but friends do not expect him to stay on as chief whip until an election which might not take place before mid-1997. The obvious moment for a switch would be next summer's expected reshuffle – the most likely point also for Hurd's departure.

Taciturn but extremely tough, Ryder was one of the Treasury mafia who catapulted Major into the leadership in November 1990. Since then, he has spent the best part 15 of hours a day trying to hold the Tory party together from his spartan office behind the members lobby of the House of Commons. He shuns the political limelight, but in a fractious cabinet remains one of Major's trusted confidants.

Major would be happy for him to stay on as chief whip – or to offer him a Whitehall department. But Ryder, still only 45, has no ambitions beyond his present role as the party's fixer-in-chief and is beginning to hanker for a return to the real world after nearly two decades in politics.

Inhospitable

■ There may be peace in Belfast but it doesn't extend to all quarters. The Northern Ireland Tourist Board took some local flak over the holiday period for being shut on Boxing Day and the next two days, during what turned out to be local traders' busiest week of the year.

One of the most irate was the head of the Hospitality Association of Northern Ireland, Neville Chamberlain – who was in no mood for appeasement.

Sober facts

■ Small comfort for international revellers. London may be one of the world's most expensive spots for a night out, but it is the cheapest place in Europe to sober up.

Based on a party pack of a bottle of wine, vodka, scotch, half a dozen beers and a carton of cigarettes,

'We survived 1994 for this?'

Tokyo ($316.6) emerges as the world's most expensive party town, followed by Hong Kong ($99.9) with London coming in just 12 cents behind. Cheapest venue is Madrid ($44.1), followed by Rome ($48.4) and Chicago ($55.8). Rio de Janeiro would have topped the party-goer's list except for the fact that the price of vodka ($36.7) is three times the New York price.

When it comes to the morning after, data supplied by US management consultants Runzheimer International tell a different story. A recovery pack of aspirins and Alka Seltzer in Rio de Janeiro ($10.70) costs less than a third of the price in Tokyo and less than half what it costs in Rome.

The good news for London is that its beer may be more than twice as dear as Frankfurt's, but its Alka Seltzer are less than half the price.

Dear diary

■ Get out your diaries for the British-American chamber of commerce's upcoming events of the first few months of 1995. The next, on January 16 at the New York outpost, is a seminar and reception on "Shareholders vs Entrenched Management: A Transatlantic Perspective" starring Sir Adrian Cadbury. Not to be outdone, the London branch on March 22 promises Maurice Saatchi, still billed as "chairman and ceo, Saatchi & Saatchi". No word yet on what he might talk about, though "How to cope with short-term unemployment" immediately springs to mind . . .

Merc merchant

■ Travelling to Vilnius, Lithuania's capital? Be sure to look up the local Mercedes dealer, who is offering for sale – to a "person of impeccable reputation", of course – the car Pope John Paul II once used on a visit. For DM480,000 the vehicle, with just 2,500km on the clock, can be yours; "full discretion" guaranteed.

The 600 SEL model, a new version of which currently retails for DM182,000 in Germany, was originally destined for Algirdas Brasauskas, Lithuania's president. But Brasauskas has displayed an asceticism rarely found in members of the political class; he is sticking to his Audi on the grounds that Lithuania cannot afford such extravagance.

Where will the vehicle end up? Some of the Roman Catholic Church's wealthier members will no doubt be tempted – as will Russian mafiosi, probably interested more in the car's armour plating than its spiritual connections.

Wanted men

■ So now we know why Morgan Stanley was not too upset when it terminated its planned takeover of S.G. Warburg just before Christmas. Global Finance magazine has just published a list of the 50 "most wanted people in finance". Four work for Morgan Stanley and none for S.G. Warburg. The only UK house which comes close to matching Morgan is BZW, which employs three names on the most wanted list.

Come to think of it, Morgan Stanley and BZW would not be too bad a fit.

Now you don't

■ Final cracker joke. How do you get rid of varnish?

Remove the R and make it vanish.

FINANCIAL TIMES
Tuesday January 3 1995

Retail group head forecasts new agreement

Relaxation of German shopping hours urged

By Andrew Fisher in Frankfurt

The German government came under renewed pressure yesterday to relax shopping hours, with a call from the head of the country's biggest retail gronp for stores to be allowed to stay open late every weekday.

At present they may open late only on Thursdays. Saturday opening hours are also limited.

Mr Walter Deuss, chairman of the Karstadt department store group whicb last year acquired tbe Hertie chain, said shops should be able to stay open until 8pm from Monday to Friday.

He also argued for later opening hours on the one Saturday in the month that shops may serve customers after 2pm. In summer, they have to close at 4pm on the "long Saturday" but can stay open until 6pm in winter and just before Christmas.

Mr Deuss said in an interview with the Süddeutsche Zeitung that he expected a consensus-based solution to the shopping hours issue to emerge this year.

Mr Günter Rexrodt, economics minister, failed last year in an effort to relax the closing hours law, but remains keen on the idea, as does the junior coalition party, the Free Democratic party (FDP), of which he is a member.

The ministry has commissioned a report from the IFO economic research institute on the implications of longer opening hours and experience in other countries. Mr Deuss said he did not favour the far-reaching liberalisation seen in Britain and the Netherlands.

The German shopping hours debate produces fierce arguments on both sides. Trade unions and smaller shops generally oppose relaxation, while big stores see it as a way of attracting more customers. Department stores' share of retail business has fallen in recent years, as has the proportion of total private spending going to retail outlets.

Mr Deuss said customers disliked having to leave stores early on summer Saturdays: "We have to drive our customers out of the stores and they don't have any understanding for this."

However, the German retail industry association said it still opposed cbanges in the law, reflecting the view of most of its members.

The shortening of opening hours on summer Saturdays was part of a 1989 compromise in which late Thursday opening was allowed.

Yet the big store groups do not open all their premises late on Thursdays, tending to do so only in city centres.

Out-of-town shopping centres also benefit from longer hours, analysts said.

UK set for balance of payments surpluses until 2005

By Philip Coggan and Alan Pike

The UK can expect persistent balance of payments surpluses over the next decade, according to the latest forecast by Cambridge Econometrics published today.

Although export growth will slow slightly in 1995, tbe strength of world trade and subdued domestic demand, will narrow the current account deficit to just £1.4bn ($2.1bn). This compares with £6.3bn last year and £10.3bn in 1993.

In 1996, according to Cambridge Econometrics's 49-sector model of the economy, the current account will record a small surplus of £1.1bn – 0.1 per cent of gross domestic prodnct – and then stay in the black for much of the period up to 2005.

The forecasting group asserts that there has been a marked improvement in the underlying UK trade performance in important industries over recent years. This was supplemented by the hoost to competitiveness and profitability following tbe ponnd's 1992 devalnation. Recent figures sbow the UK bad a small current account surplus in the third quarter of 1994.

Economic growth will slow to 3.1 per cent this year, after a likely 3.8 per cent in 1994, says the group. It warns that inflation is likely to accelerate this year as the gap between output and capacity narrows and producers seek to raise margins. The all items retail prices index is set to increase 3.3 per cent over the year.

Cambridge Econometrics says the diversity between the strongest growth industries and those still declining remains marked, despite nearly three years of growtb. Industries forecast to have output growth of more than 5 per cent this year included air transport, electronics, computing services, pharmacenticals, motor vehicles, gas supply, other transport services, rubber and plastics and waste treatment.

Sectors expected to see growth of 1 per cent or less this year were coal, otber mining, food, metal goods, pnblic administration, and defence and education.

The forecasters say unemployment will fall gradually to 2m by 2005, from the current level of just nnder 2.5m. The sectors expected to show the largest jobs growth in 1995 are botels and catering, retailing, bealtb and social work, other business and professional services, and paper, printing and pnblishing.

Cambridge Econometrics says none of the sectors likely to see the largest increases in employment is among the top 10 industries for ontpnt growth. This reflected strong prodnctivity gains, so fewer jobs were created.

Cause for celebration, Page 10

THE LEX COLUMN

Market momentum

Last year, financial markets worried themselves sick over the threat of rising inflation. This year, inflation will probably pick up in a numher of industrialised economies, notably the US and the UK, in response to continuing strong economic growth. But precisely because inflation has been so thoroughly discounted, markets could be set for a good year.

Bonds, in particular, will rally if investors appreciate that inflationary fears have mostly been exaggerated. The business cycle has not been ironed ont, but central banks are showing themselves prepared to preempt inflation by tightening monetary policy. Meanwhile, companies are finding it harder than in previous cycles to raise prices because free trade and supply side measures have made their markets more competitive. Moreover, with most of 1993's leveraged bond bets now unwound, rallies should have a decent chance of building momentum instead of faltering as investors sell into strength.

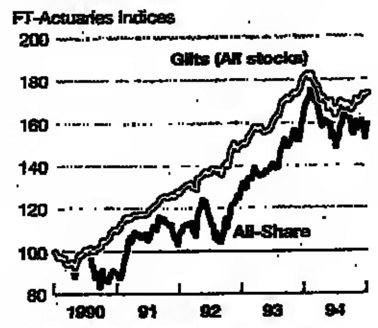
Equities would be supported by a bond market rally. They may also enjoy a boost as profits respond to economic growth. But there are risks. Not only is strong earnings growth for 1995 already built into most equity valuations but there is also a danger that central banks, in their anti-inflationary zeal, may tip their economies prematurely into recession. Even in the US, wbere the economic cycle is most advanced, this is unlikely before 1996 at the earliest. But equities will be vulnerable to any downward revisions in earnings forecasts.

Flow of funds

A full reversal of 1994's bond losses is unlikely, as exaggerated inflationary fears explain only half the decline. The other half is due to increased real rates of return – a reflection of strong demand for capital througbout the world but relatively low savings. With economic growth set to pick up in Japan and continental Europe this year, this imbalance between global investment and savings could worsen.

Set against this is the prospect that capital will flow more freely around financial markets. There are signs that Japanese investors are willing to buy dollar assets again. That is important given that Japan has the world's largest current account surplus, while the US has the largest deficit. If the Japanese return in force, they will provide support for the US bond market and the dollar, with other financial markets carried higher in sympathy.

Total returns



Source: FT Graphite

US

With long Treasuries yielding 7.8 per cent and the dollar just under Y100, US bonds offer good valne. The US Federal Reserve may have been slow to put up interest rates in 1994 but, with November's 75 basis point increase, it is now up with events. Further increases will be needed this year. Suspicions will remain until the Fed has proved its toughness at least once more and there are signs that last year's monetary tightening is beginning to slow the economy. But investors should draw comfort from the fact that the peak in US interest rates is not far away.

Markets may also be worried that US fiscal policy will spin out of control. Following the Republicans' victory in November's congressional elections, both main parties are promising tax cuts. Given the continuing budget deficit, any fiscal relaxation would be irresponsible. Fortunately, the Republicans seem to have realised this and are now stressing that public spending cuts would have to be agreed before taxes are reduced. Investors would find that more palatable.

Europe

Continental Europe may not yet have experienced the trough of the interest rate cycle, let alone its peak. In a normal economic cycle, that would bode ill for the region's financial markets. But the difference this time is that continental markets were dragged down last year with US markets, though inflationary pressures were extremely subdued at the time. If 1994's fall is viewed as an especially early discounting of future inflation, this year could well see a rebound.

Still, it is unlikely that continental bond markets, at any rate, will perform as well as US markets in 1995. Until central banks start tightening monetary policy, investors will doubt whether they have the stomach to do so. Moreover, high budget deficits in many countries will continue to be a worry. Even Germany may not be such a secure financial haven; reunification has left it with higher unemployment and worse fiscal problems. During 1995 bunds may again lose their yield discount to US Treasuries.

UK

Prospects for UK markets are brighter. The Bank of England has gone a long way to establish its anti-inflation credentials with last year's rate increases though, as with the US, further rises will clearly be needed this year. Fiscal policy is also in better shape than in most continental countries: partly because of recent and forthcoming tax increases; partly because the state faces less burdensome long-term pension liabilities following the reforms of the Thatcher years.

Markets are gradually beginning to appreciate these factors. Still, the performance of UK markets will be limited by the difficulty of stretching traditional relationships with US and continental European markets. Any bond market rally will be capped by extreme resistance to gilt yields falling beneath either Treasury or bund yields. But given the current spreads of 90 and 118 basis points respectively, that still leaves considerable scope.

UK shares currently do not look over-valued relative to gilts. The gilt/equity yield ratio of 2.17 is slightly below the average of 2.3 since 1970. Moreover, dividends this year should enjoy another year of close to 10 per cent growth. Two further factors should buoy equities this year: the trend towards earnings-enhancing share buy-backs; and a probable pick-up in mergers and acquisitions as corporate balance sbeets further strengthen.

The main risk to equities is that the outlook for corporate earnings and dividends next year will be rather dull as the economy slows. There is also a chance that the Bank of England will raise interest rates too far, truncating instead of prolonging the upswing. Though the prospects for equities may be somewhat better than for gilts, the risks are greater.

Papandreou offers to suspend corruption trial of bitter rival

By Kerin Hope in Athens

Mr Andreas Papandreou, Greece's socialist prime minister, is to call off the trial on corruption charges of Mr Constantine Mitsotakis, his conservative predecessor, in an attempt to avert an early election.

Mr Papandreou proposed tbe suspension of the trial, due to start before a special court later this month, in his new year's message to the nation. He said be wanted to guarantee "the effective functioning of the political system and our national unity".

However, the decision appears to aim at ensuring support from conservative deputies when parliament votes for a new bead of state in April. Mr Mitsotakis, now a backbencher who controls a group of deputies in the New Democracy party, would be expected to deliver the 10 extra votes needed for the ruling Pan-Hellenic Socialist Movement (Pasok) to elect a president with the three-fifths majority required.

With Greece still deep in recession, the socialists are seeking to avoid being forced to call a general election by failing to elect a new president.

A search is under way to find a consensus candidate for the mainly ceremonial post. Tbe front runner is Mr Costis Stefanopoulos, a popular centre-right politician on good terms with both Pasok and New Democracy.

Mr Mitsotakis was charged with accepting a $22.5m bribe and breach of trust in the sale in 1992 of Heracles General Cement, the state-controlled cement producer, to a Greek-Italian joint venture controlled by Calcestruzzi, the construction arm of the Ferruzzi group.

The suspension would includs charges against Mr Mitsotakis for allegedly ordering illegal phone taps of political rivals and breach of trust charges against two former cabinet ministers involved in the Heracles disposal.

Mr Papandreou also appears to be ending a 30-year political and personal feud with his conservative rival. Mr Mitsotakis defected in 1963 from a cabinet led by Mr Papandreou's fatber, bringing down that government.

However, the prime minister's move has annoyed some hardline socialists who are keen to see Mr Mitsotakis in the dock, especially since the conservatives took Mr Papandreou to trial on similar charges while in office.

Mr Papandreou was acquitted in 1992 by a single vote after refusing to attend a year-long court hearing.

However, the government knows that a general election this year would derail Greece's economic stabilisation programme and would slow down large European Union transfers, which are seen as crucial to the country's economic recovery.

Housing project

Continned from Page 1

demanded that the Efrat decision be reopened.

Leaders of tbe West Bank settlement movement rejected the deal out of hand.

"Cessation of work on the first bill," said their spokesman, Mr Yehiel Leiter, "spells out to the Arab community that violence and the rejection of due process pays off. At the same time the government is refusing to put anything in writing."

Rebels halt Russians

Continued from Page 1

among foreign governments, which had viewed Chechnya as a purely Russian affair.

John Ridding adds from Paris: France said yesterday it was exploring ways of promoting a negotiated settlement to the Chechnya conflict, principally througb the Organisation for Security and Co-operation in Europe.

The 53-nation body, formerly known as tbe CSCE, groups members of Nato, the former Warsaw Pact, and several neutral and non-aligned states.

"We are examining, with our European partners, the possibility of contributing to a solution to this crisis through recourse to certain procedures of the OSCE," said a foreign ministry spokesman.

The move reflects increasing international concern about the escalation of the conflict and the rising civilian death toll.

The possibility of an OSCE initiative was also raised by Mr Klaus Kinkel, the German foreign minister, in a telephone conversation witb Mr Andrei Kozyrev, his Russian counterpart.

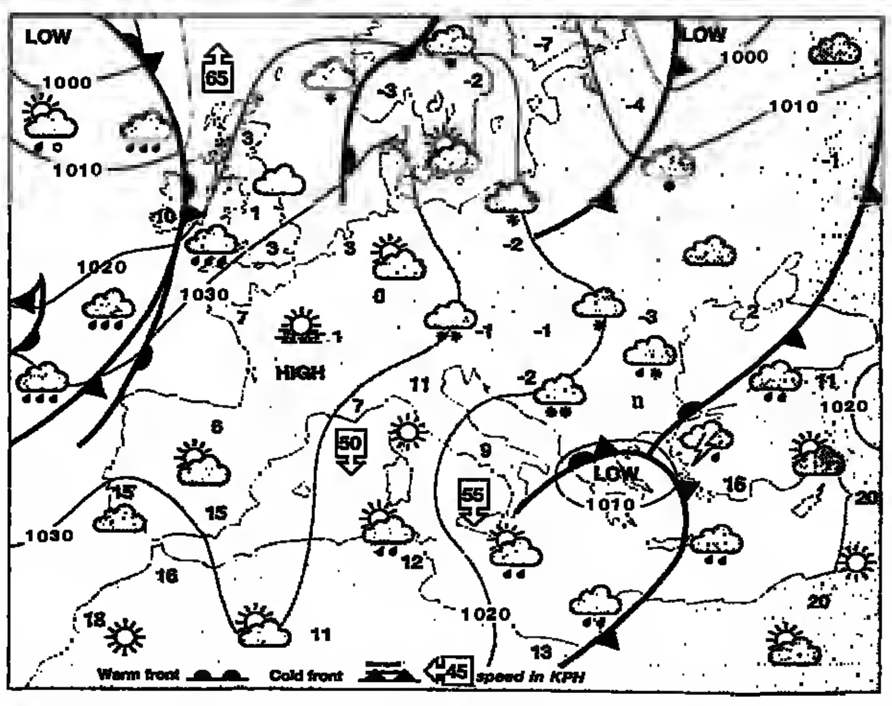
FT WEATHER GUIDE

Europe today

A high pressure system over central Europe will bring settled conditions to the Low Countries, Germany and France. Meanwhile, moist air from the Atlantic will move into the British Isles, producing rain in Ireland, Wales and Scotland. Chilly winds over Poland will be accompanied by periods of snow in southern Poland, the Alps and the Czech and Slovakian Republics. Temperatures will be unseasonably low in Italy with a risk ol wet snow as far south as Sicily and Sardinia. Spain will have a mixture ol sun and cloud, with light rain in the north-west. South-east Europe will be unsettled with snow in Bulgaria and rain or thunder showers in Greece and Turkey.

Five-day forecast

High pressure over central Europe will move slowly into Russia. At the same time, moist and rather mild air will move into western Europe causing rain or showers in the UK and a mixture of rain and snow in the Low Countries, France and Germany. Sunny periods are likely in Spain, but conditions will become more unsettled later in the week. Temperatures will be below normal in eastern Europe and there will be scattered showers in Greece and Turkey.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	23
Accra	sun	32
Algiers	fair	12
Amsterdam	fair	4
Athens	thund	15
Atlanta	cloudy	7
B. Aires	fair	32
B.ham	cloudy	1
Bangkok	sun	34
Barcelona	fair	10

Beijing	fair	3
Belfast	rain	6
Belgrade	snow	-4
Berlin	cloudy	-2
Bermuda	fair	22
Bogota	fair	20
Bombay	sun	32
Brussels	fair	2
Budapest	cloudy	-2
C.hagen	cloudy	-1
Cairo	fair	20
Cape Town	sun	26

Caracas	fair	31
Cardiff	rain	5
Casablanca	fair	17
Chicago	sun	-10
Cologne	fair	0
Dakar	sun	26
Dallas	fair	4
Delhi	sun	20
Dubai	sun	24
Dublin	rain	8
Dubrovnik	fair	7
Edinburgh	cloudy	3

Faro	fair	16
Frankfurt	cloudy	0
Geneva	cloudy	1
Gibraltar	cloudy	15
Glasgow	rain	3
Hamburg	fair	-1
Helsinki	fair	-6
Hong Kong	cloudy	20
Honolulu	fair	28
Istanbul	rain	8
Jakarta	cloudy	31
Jersey	fair	6
Karachi	sun	26
Kuwait	sun	21
L. Angeles	cloudy	17
Las Palmas	fair	21
Lima	cloudy	26
Lisbon	fair	12
London	fair	3
Lux.bourg	cloudy	-1
Lyon	cloudy	0
Madeira	cloudy	18

Madrid	fair	6
Majorca	fair	11
Malta	shower	12
Manchester	drzzl	2
Manila	cloudy	30
Melbourne	fair	29
Mexico City	fair	21
Miami	fair	25
Milan	fair	8
Montreal	snow	-10
Moscow	snow	-3
Munich	snow	-2
Nairobi	fair	27
Naples	fair	5
Nassau	fair	26
New York	fair	2
Nice	cloudy	13
Nicosia	fair	18
Oslo	fair	-3
Paris	cloudy	2
Perth	fair	33
Prague	cloudy	-4

Rangoon	fair	32
Reykjavik	rain	4
Rio	shower	30
Rome	fair	10
S. Frsco	rain	12
Seoul	fair	3
Singapore	shower	31
Stockholm	fair	-4
Strasbourg	cloudy	1
Sydney	shower	23
Tangier	fair	17
Tel Aviv	fair	21
Tokyo	cloudy	12
Toronto	snow	-7
Vancouver	sun	4
Venice	cloudy	7
Vienna	cloudy	0
Warsaw	snow	0
Washington	fair	3
Wellington	shower	11
Winnipeg	sun	-20
Zurich	snow	0

FINANCIAL TIMES
COMPANIES & MARKETS

Tuesday January 3 1995

IN BRIEF

ICL may enter Bull alliances

ICL, the UK-based computing group, may develop specific alliances with Groupe Bull but it does not want to take a stake in its French counterpart as part of its privatisation, according to Mr Peter Bonfield, chairman. He did sound a positive note about prospects for the French group. "Bull has good products, able people and a good position in certain markets and I believe that the group is more advanced along the path to recovery than one might think," he said. Page 17

Banesto deal lifts Portuguese barriers
The sale by Banco Español de Crédito (Banesto) of its 50 per cent holding in Banco Totta e Açores (BTA), the third-largest Portuguese bank, has removed a stumbling block in the banking relationship between the two neighbouring countries. Now Argentaria, the Spanish banking group, says the path is clear for its "friendly entry" into Portugal. Page 14

Seita prepares for sell-off
Seita, France's state-owned tobacco company, held its first-ever briefing of financial analysts just before Christmas, with a 1994 profit projection before the year had even ended – a strong hint privatisation of Seita is at the forefront of the government's mind. Page 14

Nappy giants call a truce
Procter & Gamble of the US and Mölnlycke, a subsidiary of the Swedish forestry group SCA, yesterday reached a truce in their fierce battle for the European disposable nappy market. The two companies agreed to drop all claims of patent infringement pending between them and give each other licence to use each other's nappy patents without charge. Page 14

Poland names next bank sale
Poland's finance ministry has decided that Bank Gdanski, one of the smaller of the nine banks hived off from the National Bank of Poland five years ago, is the next to be privatised. The sale is expected to take place towards the end of the year. Page 16

Japanese bonds deviate from likely path
Japan's government bond market did not perform according to plan last year, with yields rising in spite of the weakness of the country's economic recovery. This deviation in the expected relationship between the bond market and broader economic indicators is explained by the increased risk aversion of Japanese institutional investors, says Salomon Brothers in Tokyo. Page 16

Record raised in new issues
More than £10bn ($15.6bn) was raised in the UK new issue market last year – the highest yearly total ever, according to KPMG Peat Marwick, the accountants. As for this year, "The merchant banks are still trying to interest us in new issues and I think the first two quarters could be quite busy," said one analyst. Page [illegible]

IMI [illegible] the changes
IMI, the UK engineering group, has been through many changes since 1978 when the former Imperial Metal Industries was floated by ICI. "In 1978, we were very heavily dependent on the UK market," says Mr Gary Allen, chief executive. Now his aim is to create a cohesive group of "clearly defined, global businesses with technical and market leadership". Page 17

Nairobi [illegible] to foreign investors

Foreign investors are allowed back into the Nairobi stock exchange, for the first time in 30 years. However, they are not expected to rush into the market until foreign exchange control is scrapped and rules barring trade in foreign-owned companies are clarified. The Nairobi bourse – the fourth largest in Africa – has soared since the government said foreign investment would be allowed. Back Page

Launch today for Fledgling Index

The FT-SE Actuaries Fledgling Index is launched today, charting the performance of around 800 companies too small to be included in the FT-SE All Share Index.

It offers investors the opportunity to track the performance of companies accounting for only 1.8 per cent of UK stock market capitalisation. These companies have substantially outperformed larger stocks over the last two decades.

The new Index includes companies from the Unlisted Securities Market, in addition to those with full listings. However, it will exclude particularly illiquid stocks which might distort the overall performance of the index.

Companies in this issue

Market Statistics

Midland overhauls sales force strategy

Life and pensions staff to be retrained and integrated with branch network to meet toughening regulations

By John Gapper, Banking Editor

Midland Bank, the UK subsidiary of HSBC Holdings, is to integrate its 850-strong life insurance and pensions sales force into its branch network and retrain staff to meet tougher regulatory requirements.

The bank has just told staff that it intends to break the division between its branches and its sales force in an effort to meet regulatory requirements including rules on the disclosure of commission introduced this week.

There is expected to be a small reduction in staff numbers, but the bank is appointing sales managers in each of its 206 areas who will be responsible for ensuring that its sales force complies with the new regulations.

Mr Keith Whitson, Midland chief executive, said the bank was re-training its sales force to meet "increasingly onerous" regulations. It also hoped to increase sales by persuading branch and sales staff to work more closely together.

The bank's move follows disruption in other financial services companies caused by regulation. Halifax Building Society withdrew its 600-strong sales force in October after discovering failures to meet requirements.

Midland has already introduced a new payment structure for employees selling financial products which gives them a higher proportion of salary compared with commission. An average employee now receives 90 per cent of payment in salary. Mr Whitson said that Midland wanted to "make sure that someone in a small branch has an additional string to his bow and not someone who is competing with him" by integrating the sales force into the branch network.

The sales force has until now been managed separately in a division based in Southampton. There will continue to be some functional management of the sales force, but members of it will now report primarily to regional divisions.

In addition to the fully-trained sales force, which will be able to sell the whole range of regulated products, the bank is training about 1,250 staff to sell endowment mortgages.

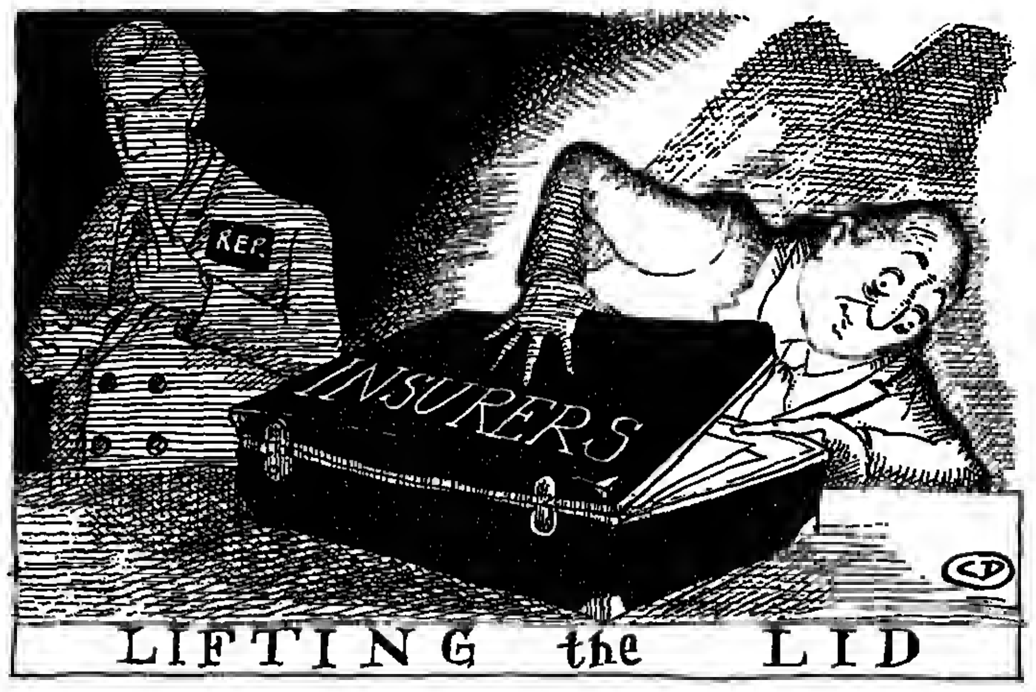
Ms Bernadette Fisher, a negotiating officer for the Banking, Insurance and Finance Union, said the change could be welcomed by staff who would no longer have to sit regulators' exams, which many had found "quite a strain".

Midland has applied to join the new Personal Investment Authority, the self-regulatory body for retail financial services which will administer the new regulatory framework, but has not yet received formal approval.

The new commission disclosure requirements for life products are expected to benefit banks and building societies which have branch networks and do not have to meet all distribution costs solely from sales commission.

Alison Smith reports on the impact of a new regime of disclosure for the financial services sector

Rules to update 'caveat emptor'



As thousands of sales agents and independent advisers in the UK financial services sector return to work today, it will not be just a New Year's resolution that will make them more open with their customers.

Instead, new regulations mean they must tell potential investors more about what they sell.

Such a change sounds innocuous, but life insurers are in no doubt of its significance. The importance of the new regime is heightened, coming just as the life sector is reeling from a troubled year in 1994.

Last year, sales were hit by factors such as public concern about standards of selling because of the personal pensions debacle, and the continuing lack of consumer confidence. This in turn damaged investor confidence, contributing to a fall in the shares of Prudential, one of the largest life insurers from a year high of 348p to 316p at the year-end.

But life insurance executives admit that worse may be to come. "Commission disclosure and charges disclosure are going to have a significant commercial impact," said Mr David Prosser, chief executive of Legal & General, one of the UK's largest life insurers.

The reason why disclosure is significant is that customers buying life insurance knew very little about how much of the premiums they paid went to the life company and so were not invested.

The lack of hard information combined with the ending in 1989 of an industry-wide agreement setting maximum commissions, enabled life companies to pass on rising costs to consumers without driving customers away. This meant there was little effective competition.

From today that changes. Every sales agent and adviser must now give the customer a short, stand-alone paper stating the aims and risks of the policy; how much money the customer might get back if a long-term policy is given up early; and the cost to the customer of the advice.

In most cases, the cash value of the commission – not previously identified – will come as the greatest shock. Commissions paid to sales agents and independent advisers in 1992 are estimated as £2.5bn ($3.9bn), or half the total costs of winning new business.

The disclosura rules have already contributed to changes in how and what life companies sell.

The emphasis on surrender values has prompted some companies to find ways of spreading commission more broadly over the life of the policy to increase the amount available to investors who give up policies prematurely.

Standard Life, for example, announced in October that it would raise surrender values. It is maintaining its commission levels to independent advisers to whom it sells most of its policies, but financing the initial costs itself and deducting the total out of premiums paid over the length of the policy.

Other companies are switching to a flexible commission structure, in which the adviser and the customer agree between them how commission will be taken from the premiums. The new requirements have also been a factor in leading several companies to update the policies they sell, to make them simpler for the customer and more flexible.

"People are using the opportunity to modernise their products," said Mr Philip Scott, life and pensions general manager at Norwich Union. Despite policy improvements, life insurers do not doubt that some potential customers will be deterred by what they see.

"Because people will think that the charges are too high, they may just spend the money on something else instead," said Mr John Hylands, Standard's head of marketing. "Our fear is that reaction will be simply not to buy."

In most cases, the cash value of the commission – not previously identified – will come as the greatest shock

Research for City regulators by National Economic Research Associates, an economic consultancy, suggests the fear is justified. It forecast that the disclosure regime would reduce sales by about 10 per cent against what they would otherwise have been.

Within this smaller market, companies' profitability is likely to be squeezed as they lower their margins and cut costs to compete. The NERA research said the charges could be cut by about £800m a year, including reductions in commission of about 20 per cent by 1997, without taking account of any reduced sales.

Against this bleak background for companies, the statement from Mr Anthony Nelson, treasury minister, that "the industry should have little to fear from greater disclosure" would be greeted with a hollow laugh in some parts of the sector.

A study last year by actuaries Bacon & Woodrow suggested that 40 per cent of UK life companies had expense ratios which would make them vulnerable in a price war.

Conversely, however, if a disclosure does hasten the demise of less competitive insurers, it will leave more capacity in the market for those who survive. When the market does expand – in areas such as pensions and health care policies – they should reap added rewards from having become more efficient.

Particular classes of insurers which should be well-placed are the lower-cost providers including some banks and building societies selling through branch networks. Although they are incurring extra costs from a tougher regulatory regime, their distribution overhead is spread over a wider variety of products.

But there is already evidence of stiffening competition to provide low-cost products. Virgin, the airline and leisure group, and Marks & Spencer, the retailer, both plan to sell life and equity products. Virgin is setting up a joint venture with Norwich Union, the insurer, to sell products by telephone.

It may also be easier for independent advisers who select policies from across the market than for sales agents selling products from only one company to demonstrate they are providing a service to warrant the cost.

But the impact of the regime will depend on how ready investors are to use the new information available to them to compare prices.

The extent of changes in customer behaviour will not be apparent immediately, and perhaps not for some months. What is already plain, however, is that the effect of introducing greater openness will last far longer than many good resolutions made at the start of 1995.

Daimler-Benz confirms talks on exploring multimedia ventures

By Judy Dempsey in Berlin

Daimler-Benz, the German automotive and aerospace group, is holding "exploratory" talks with the country's largest media conglomerates in a bid to establish multimedia ventures.

Daimler officials yesterday confirmed that Mr Edzard Reuter, the group's chairman, and Mr Jürgen Schrempp, who takes over as chairman in May, held talks just before the new year with the Bertelsmann, Leo Kirch and Burda German media groups.

Last month, the European Commission blocked Bertelsmann, the Kirch group, and Deutsche Telekom, the state-owned telecommunications network, from establishing Media Service, a cable and pay-television joint venture on the grounds that it would stifle competition.

Bertelsmann owns Premiere, the first pay-TV service in Germany. The Kirch group has extensive interests in the Axel Springer publishing group and is a leading shareholder in the Sat-1 television channel.

Daimler said yesterday: "We are exploring opportunities in the multimedia sector. But we are not just focusing on these three groups. We are exploring all sorts of business activities." As yet, the group "does not have a timetable. And we have to define the nature of this business."

In the January issue of "High Tech Report", Daimler's house magazine, Mr Manfred Gentz, chairman of Debis, the group's services division, said a range of products in the telecommunications sectors was coming on to the market. However, he said Daimler had not yet defined its strategy for establishing multimedia ventures.

Debis is already active in financial, mobile communication and software services and is likely to play a role in the multimedia sector. Last year it lifted sales 17 per cent to DM7.9bn ($5bn). Systemhaus, part of the Debis group which specialises in softwear projects, information systems, and computer-communication services, is experimenting in teleshopping which is still underdeveloped in Germany.

Saatchi hints at decision delay

By Diane Summers, Marketing Correspondent

Executives at Saatchi & Saatchi, the advertising group, were last night playing down the importance of today's deadline given to Mr Maurice Saatchi, the group's deposed chairman, to decide on his future with the company.

Mr Saatchi, who was thought to be returning from holiday yesterday, has to choose whether to accept the largely honorary title of president of the holding company and chairman of the subsidiary, Saatchi & Saatchi Advertising Worldwide, or sever all links with the company he co-founded with his brother Charles in 1970.

According to one official, today is "not a sword of Damocles day", with an announcement on Mr Saatchi's decision more likely in 10 days to two weeks' time. Another said that "just as on closing a deal, it's very difficult to give a time and make sure it is stuck to. Experience says these things never happen on their first deadline."

Mr David Herro of Harris Associates, the Chicago fund managers which led the revolt against Mr Saatchi, has been pressing for a speedy resolution of the situation. Mr Saatchi's friends, as well as Mr Herro, have said they would be surprised if Mr Saatchi stayed with the group under the terms offered by the board.

The boardroom coup shortly before Christmas followed a row over an options package proposed for Mr Saatchi. There was also disagreement on other issues, including the name of the company. The board has since decided to drop the Saatchi name from the holding company – a new name has yet to be decided – while retaining it for the advertising network subsidiary.

Several of the company's largest advertisers will be watching Mr Saatchi's decision closely.

Maurice Saatchi: deadline

Mars, the privately-owned confectionery and pet foods group, which has had a close association with Mr Saatchi, has already announced a review of its $1bn worldwide account.

Mölnlycke and Procter resolve patents quarrel

By Hugh Carnegy in Stockholm

Procter & Gamble of the US and Mölnlycke, a subsidiary of the Swedish forestry group SCA, yesterday took time out from their fierce battle in the European disposable nappy market to make peace on a series of legal disputes over nappy product patents.

The two companies agreed to drop all claims of patent infringement pending between them, and give each other licence to use each other's nappy patents without charge. Procter & Gamble also agreed to pay an undisclosed sum to Mölnlycke, described in a statement by the Swedish company as "a minor amount".

In recent years, the two companies have been the leading producers of disposable baby nappies in Europe. P&G makes the Pampers brand, while Mölnlycke leads the market in France, the Netherlands and the Nordic countries with its Peauduce and Libero brand-names. It is also Europe's top producer of own-label nappies for retailers.

They became embroiled in a number of legal disputes in several countries over patents covering the design and structure of nappies. In one case, in the Netherlands, P&G sued Mölnlycke, accusing it of infringing a P&G patent covering leg elastic. In another case, in the UK, Mölnlycke sued P&G, accusing it of breaching a Mölnlycke patent covering the so-called "tape landing zone" – the part of the nappy where the sticky tape fastener adheres.

Mr Bo Feltner, chief executive of Mölnlycke, said the patent disputes had become expensive for both companies. Legal fees had been costly, and personnel had been diverted to fight the cases. "It was consuming a lot of resources," he said, although he declined to estimate the financial cost.

The settlement was clearly a relief to Mölnlycke, which is already facing a tough struggle to remain competitive against much bigger rivals such as P&G and Kimberley Clark of the US, which for the past year has also been attempting to build market share for its nappies in Europe.

The competition has hit prices and pushed up marketing costs sharply, leading Mölnlycke last month to announce a SKr1.3bn ($174.9m) restructuring programme in its nappy-making operations.

Chairman steps down at GEC-Alsthom

By John Ridding in Paris

Mr Jean-Pierre Desgeorges is to step down as chairman of the management board of Anglo-French engineering and transport group GEC-Alsthom. He will be replaced by Mr Pierre Bilger, current chief executive.

The company said yesterday that the departure of Mr Desgeorges, 64, had been anticipated and that he had played a representative role at the company since spring 1991. Mr Bilger has been in charge of the day-to-day running of the group.

GEC-Alsthom said the move was not related to the strikes which shook its French plants last year.

Mr Bilger is regarded as one of the key managers at Alcatel Alsthom, which jointly owns GEC-Alsthom with GEC of the UK.

As well as Mr Bilger, the board now comprises: Mr James Brian Cronin, managing director; Mr Kelvin Bray, managing director of the power generating division; and two new members, Mr Claude Darmon, managing director of the transport division and Mr Robert Mahler, managing director at power transmission and distribution.

Spain and Portugal settle banking dispute

By Tom Burns in Madrid

The sale by Banco Español de Crédito (Banesto) of its 50 per cent holding in Banco Totta e Açores (BTA), the third-largest Portuguese bank, has removed a stumbling block in the banking relationship between the two neighbouring countries.

The first beneficiaries of the improved climate are likely to be two government-controlled institutions, Spain's Argentaria banking corporation and Caixa Geral de Depositos, Portugal's leading financial group. Their preliminary agreement to foster cross-border expansion has been held up for the past three months by the Banesto-BTA dispute.

The Portuguese were angry that Banesto, when controlled by former chairman Mr Mario Conde, had circumvented regulations on foreign control of BTA by building up a 25 per cent indirect stake on top of a 25 per cent direct holding.

Relations between the financial authorities of the two countries remained cool as Madrid accused Lisbon of breaking the European Union's single market rules by discriminating against an inward investment by a fellow EU member.

Relieved that that dispute is now over, Argentaria said yesterday that the path was now clear for its "friendly entry" into Portugal. The Spanish banking group said in September last year it intended to sell a 60-branch subsidiary called Banco Simeón to Caixa Geral de Depositos in return for some 30 offices in Portugal.

The solution to the row came with Banesto's sale of both its direct and indirect holdings in BTA to Mr António Champalimaud, a veteran businessman who rebuilt his fortune in Brazil after his industrial and financial empire was nationalised in Portugal's 1974 revolution. Now once more Portugal's richest individual, Mr Champalimaud has reportedly received assurances that he will not be called on to make an offer for 100 per cent of BTA.

Banesto, part of Banco Santander, Spain's biggest banking group, was understood to have had little option but to cut its losses and sell out of BTA because of the opposition by the Lisbon authorities to its continued presence in the bank. The sale price of Es153bn ($961.1m), approximately twice book value, was below what analysts estimated the investment was worth, and was described as "reasonable" by Banesto.

The indirect holding in BTA was especially embarrassing for Banesto's new owners because it was controlled by two Portuguese lawyers who are associates of Mr Conde's personal lawyer in Madrid. Mr Conde, who has been forced to sell his own equity in Banesto, is currently being held on remand accused of defrauding his shareholders.

The long shadow cast by the Banesto-BTA row is believed in Madrid to have been an important reason behind the Portuguese government's decision last year to veto a bid by Banco Comercial Português (BCP) for Banco Português do Atlantico, the second-largest Portuguese bank. Fuelling the Lisbon government's disapproval of the takeover was the 20 per cent shareholding in BCP owned by Banco Central Hispano, the big Spanish banking group.

Under its agreement with Argentaria, Caixa Geral de Depositos, which already owns Banco de Extremadura, based in the western Spanish region of Extremadura, will substantially build up its penetration in the Spanish areas adjoining Portugal. Simeón, which has a market value of some Pta20bn ($151.9m), has a strong presence in Galicia, north-west Spain, with 50 branches.

Argentaria, which like Caixa Geral de Depositos has a strong position in the mortgage market, wants in return to build up its presence in Portugal, where it runs 18 branches through its Banco Exterior unit. A new climate in cross-border banking is essential to Argentaria's strategy, as it wants to establish itself in competitive, prime sites in Portugal.

Smoke clears around Seita sell-off package

David Buchan previews the privatisation of the French state tobacco group

Just before Christmas, Seita, France's state-owned tobacco company, held its first-ever briefing of financial analysts. "I have nothing to say about privatisation; but I can't prevent you having that in the back of your minds," Mr Jean-Dominique Comolli, Seita president, wryly told the analysts.

In fact, any word about early privatisation would have been redundant.

That a Seita sale is in the forefront of the government's mind was immediately obvious when the company rushed out a 1994 profit projection before the year had even ended. In the same week, the French parliament passed privatisation legislation for Seita.

The 1994 figures, generally, should make good reading in the privatisation prospectus.

The group estimates its net profit for 1994 at FFr670m ($125.5m), up 14 per cent from FFr585m in 1993. Operating profit virtually doubled over the same period, from FFr538m to FFr1.03bn.

This was partly attributed to increased efficiency in manufacturing, which has been steadily rationalised and concentrated on six factories employing 2,390 people, compared with the 10 factories employing 4,700 in 1981.

However, far more important to 1994 profits were the two increases in cigarette prices: 13 per cent in January and 7 per cent in November.

However, this increase was nearly stubbed out by miscalculations by Seita's treasury department.

In the first nine months of 1994, Seita recorded a potential total loss of FFr380m by betting the wrong way on the dollar, which it uses to buy tobacco, and by switching nearly FFr3bn of the company's portfolio into bonds whose prices fell.

The company was duly rueful about this, and promised that by the start of this year it would have in place a better reporting system to track financial investments.

However, the final quarter of the year proved to be better. With the addition of a potential FFr220m capital gain on other investments, the company managed to report that its financial operation for 1994 was FFr50m in the black, although well down on its FFr349m surplus of 1993.

The fact is, however, that Seita should never make a loss on its financial operations, because it has the unique advantage of being able to play short-term with a large portion of French tobacco tax revenue.

This advantage derives from its position as distributor of virtually all – 98 per cent – of the cigarettes to France's 36,000 tobacconists.

Over the course of a year it collects from tobacconists around FFr6.4bn in tax which only has to be handed over to the state after 50 days.

For this privilege, the state obliges Seita to give tobacconists a lesser amount of credit on stock and deliveries, which amounts to about FFr3.9bn. Therefore, Seita has over a full year a balance of some FFr2.5bn in tax money, which it can use short-term on the money markets.

It is therefore no surprise that Seita is keen to keep its hold on French tobacco distribution. Up until 1976, it had a legal monopoly on distribution in France.

Since then, Seita's rivals, chiefly Philip Morris (with 28 per cent of the market), Rothmans and Reynolds (each with 11-12 per cent of the market), have been free to distribute their own brands. However, they have declined to do so, for two reasons.

First, Seita has worked hard to make its distribution as efficient – for instance, taking all orders from tobacconists by computer or Minitel – and therefore as cheap as possible.

Second, it has, so far, maintained a strict neutrality. It has not tried to abuse its de facto monopoly in distribution by pushing its own products on to tobacconists to the detriment of its commercial rivals.

This neutrality could be impaired if privatisation were to provide another tobacco manufacturer the opportunity to take a stake in Seita.

This is why the government has decided to exclude foreign tobacco makers from the *noyau dur* of institutional investors to which it plans to give some 35 per cent of the shares.

The state is to keep 10 per cent and, after reserving some 7-8 per cent on preferential terms for Seita's employees and its tobacconist clients, will put the remainder on the open market.

Seita's declining market share is partly testimony to its neutrality in distribution.

Over the past 10 years, its share has fallen from 62 per cent to 45 per cent, while that of its great rival, Philip Morris, has risen from 14 per cent to 28 per cent.

The reason for this shift is, of course, growing public distaste for the dark tobacco which used to be the hallmark of Seita's Gauloises and Gitanes brands, and increasing smoker preference for lighter, blond tobacco. In this latter segment of the French market, Philip Morris now has a 41 per cent share, leading Seita with 23 per cent.

Seita, however, has moved its brands with the times, creating such variants as Gauloises Blondes and Gitanes Blondes, which are doing well abroad.

With sales volumes, although not values, stagnant or falling slightly on the French market, the group is banking on growth abroad, where it sells 22 per cent of its output.

Its biggest market is Europe, and within that region Germany. A Seita executive claims: "We find an increasing number of Germans who identify with the French *esprit de vivre* linked with our brands."

GWR suffers setback in plans for Poland

By Christopher Bobinski in Warsaw

GWR, the UK-based commercial radio group, has suffered a setback in its plans to expand into central Europe, with the refusal by Poland's broadcast media licensing authority to license Inforadio, a 24-hour talk and news station.

GWR, which was supported in the venture by the BBC, holds a 33 per cent stake in the planned station, which would have been the first of its kind in the country.

GWR, which has a 17 per cent share in Classic FM, the successful classical music station, is being forced to invest abroad because it already has the maximum number of licences allowed in the UK.

GWR's partners in Inforadio, which include local newspapers, have said that they would appeal against the council's decision.

The decision was taken, according to the council, because the legal status of the state-controlled Polish Press Agency (PAP), one of the shareholders, was unclear.

The council is expected soon to announce a new licensing round for radio frequencies.

Consortium's bid prospectus for Rolo cleared

Consob, Italy's stock market regulatory authority, has approved the prospectus for the takeover bid presented by a consortium of Italian banks for fellow bank Credito Romagnolo (Rolo), AP-DJ reports from Milan.

The consortium is led by Milan-based savings bank Cassa di Risparmio delle Provincie Lombarde (Cariplo), and includes Istituto Mobiliare Italiano (Imi) and Cassa di Risparmio di Bologna (Carisbo).

The bid is a counter offer to one made by Credito Italiano in December, which has already received Consob's approval.

Bank Gdanski next on Polish privatisation list

By Christopher Bobinski in Warsaw

Poland's Bank Gdanski, one of the smaller of the nine banks hived off from the National Bank of Poland (NBP) five years ago, is the next to be privatised, the country's finance ministry has decided.

The sale is expected to take place towards the end of this year and will follow the privatisation of the Krakow-based Bank Przemyslowo Handlowy (BPH), which is due to close on January 12.

The decision also puts off until 1996 the sale of the larger Warsaw-based Powszechny Bank Kredytowy (PBK) which lobbied hard to be the next for flotation.

The sale of PBK will leave four of the original nine NBP banks still in state hands. The four, based in Lodz, Szczecin, Lublin and Wroclaw, are currently preparing to form a holding group as a prelude to privatisation.

Mr Edmund Tolwinski, the Gdanski chairman, said yesterday that bis bank's privatisation plan envisaged a public offer covering 60 per cent of its equity witb 35 per cent staying in state hands and 5 per cent being sold to the bank's employees.

A key element of tbe strategy worked out with Schroders, the merchant bank advising Gdanski on the sale, will be to offer two-thirds of the available sbares in a separate tranche to foreign investors.

Tbis mirrors developments in the current sale of the larger BPH bank, where the government has been forced to offer tax breaks to spur local interest and look to investors abroad to help close the offer.

Just over half of the BPH's shares have been put up for sale and the European Bank of Reconstruction and Development has said it would purchase one-third of these sbould other investors fail to come forward. Daiwa Europe has also agreed to find purchasers for a further 9.1 per cent of the offer whicb is worth 364m new zlotys ($150m) at tbe minimum price of 70 new zlotys a share.

The Bank Gdanski's balance sheet is wortb 2.9bn new zlotys and it is capitalised at 308.2m new zlotys. It reported a 110.7m new zlotys net profit in 1993.

NEWS DIGEST

Shake-up at Telekom Malaysia

Telekom Malaysia, the blue-chip telecommunications company faced with increasing competition from emerging private sector operators, plans a large restructuring, Reuter reports from Kuala Lumpur.

The restructuring will see the group break up into three separate divisions, according to the company's executive chairman, Mr Mohd Rashdau Baba.

The three divisions – TelCo, ServiceCo and NewCo – will be free to operate separately in both overseas and local markets.

Islamabad relaxes life insurance rules

Pakistan is to allow foreign companies to do life insurance business in the country, Reuter reports from Islamabad.

A government spokesman said that Pakistan had only 2m people with life insurance policies from a population of 120m.

"This means there is a lot of scope for the expansion of life insurance business," he said.

However, he said that the government did not expect foreign companies to take more than 12 per cent of the total life insurance busiuess in the country. Their share was 11 per cent before Pakistan nationalised life insurance in 1972.

One of the first foreign companies to move back to Pakistan is forecast to be Commercial Union of the UK, which is expected to have a $4m capital base in Pakistan.

Home Holdings put on CreditWatch

Home Holdings, the loss-making US associate of Trygg-Hansa, the Swedish insurer, has heen put on negative CreditWatch by Standard & Poor's, the US rating agency, writes Graham Bowley.

Trygg-Hansa announced last week the virtual takeover of Home by Switzerland's Zurich Insurance group, scrapping an earlier refinancing agreement for Home struck with a group of US investors.

S&P said its decision reflects Home's agreement with Zurich Insurance. "This transaction, S&P believes, would reduce Home Holdings' ability to service its deht and its policyholders' claims," it said.

Home's senior debt rating is BB- and Home Insurance Intercompany Pool's rating is BBB-.

Levi Strauss sets up affiliate in India

Levi Strauss, the US manufacturer of denim jeans, is following the example of Coca-Cola and Kellog by deciding to target the growing Indian consumer market, Reuter reports from New Delhi.

The company has established a wholly-owned affiliate in the southern city of Bangalore to market a broad range of jeans and other clothing in India.

The unit, called Levi Strauss (India), has entered into an agreement with Gokuldas Images of Bangalore to make Levi products in India and is working closely with Indian mills to produce world-class denim, it said.

European prices drift lower in thin trade

By Richard Lapper and Graham Bowley

European government bond markets drifted slightly lower amid extremely subdued trading conditions yesterday with the US, UK and French markets closed for bolidays.

GOVERNMENT BONDS

German deht moved sideways in extremely thin trading. In Frankfurt the March bnnd contract settled at 88.91, down 0.12 on Friday's close.

Volnmes are expected to pick up today. Looking further ahead, the market remains focused on the first Bundesbank council meeting of the year on Thursday and US employment data on Friday.

Trading was minimal in Italy, where players await the outcome of talks later this week aimed at ending the political crisis sparked by the resignation hefore Christmas of Mr Silvio Berlusconi.

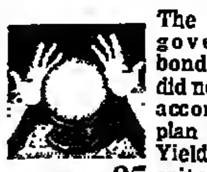
The March bond future fell 0.21 to close at 98.62, while in the cash market the 10-year bond fell by 21 basis points to close at 79.89. With a yield of abont 12½ per cent, the BTP is now trading at a spread to German bunds of some 480 basis points.

Auctions of 10 and 30-year paper were oversnbscribed. Bids of L2,200bn were received for L1,500bn of 10-year BTPs carrying a coupon of 9.5 per cent. The gross yield on the issue was 12.34 per cent, slightly lower than for a 10-year issne last month. The gross yield on L1,000hn of 30-year paper was 12.67 per cent, 30 basis points more than at an anction in November.

Prices in Spain moved np slightly, with the March future closing np 0.09 at 83.69. In the casb market, 10-year paper rose hy 0.08 to close at 78.88, yielding 11.82 per cent.

Emiko Terazono expects a better economic environment in 1995

Japanese bonds set to stabilise


OUTLOOK 95

The Japanese government bond market did not perform according to plan last year. Yields rose in spite of the weakness of the country's economic recovery, inflation below 1 per cent and a 10 per cent appreciation in the yen. Over the year, the yield on the 10-year bond rose by more than 130 basis points to about 4½ per cent.

This deviation in the expected relationship between the bond markat and broader economic indicators is explained hy the increased risk aversion of Japanese institutional investors, according to Salomon Brothers in Tokyo.

Mounting bad loans and sharp falls in unrealised gains on their assets have impeded the ability of Japanese banks to take risks.

At the same time, in the first half of last year banks sold honds to realise gains ahead of the end of accounting periods, depressing prices and prompting an increase in volatility.

Banks, including city, regional and long-term credit banks, sold Y3,808bn of bonds during the first three months of the year. By the end of the year, financial institutions held only 26 per cent of their assets in bonds compared with 32 per cent in November 1993, according to the Nikkei Financial Daily.

Whether or not tbe relationship between economic fundamentals and tbe bond market will resume its traditional pattern in 1995 depends largely on the extent to which banks and other institutional investors are able to repair their balance sheets. In this respect there have heen some encouraging signs recently.

The valua of outstanding non-performing loans declined hy 19 per cent in tbe six months to September 1994, indicating that the problem may have peaked.

Last month, the Bank of Japan announced that it would join private banks to set up a bank to rescue two ailing credit companies saddled with bad loans – the bulk inherited from the hursting of the nation's late 1980s "buhhla" economy. The Tokyo-based institutions, Anzen Credit Bank and Tokyo Kyowa Credit Association, had total bad assets of Y100bn.

In any avent, although institutional investors may not become aggressive huyers of honds, price volatility may ease and the market could benefit from the more positive economic environment.

Deflationary pressures remain strong and the recovery in consumption is expected to be sluggish. Rising demand is likely to increase the rate of capacity utilisation only to levels reached during the troughs of Japan's previous two economic cycles.

"A return to a utilisation rate above 78 per cent – the point at which in the past business investment picked up convincingly – is not likely before mid-1996," says Salomon Brothers.

This suggests that demand for capital investment from companies will remain subdued, posing little risk of a rise in long-term interest rates.

Meanwhile, further support for 10-year bonds will also come from the supply side, says Mr Jim Vestal at Barclays de Zoete Wedd. Although government bond issues are set to rise from Y28,800bn in 1994 to Y30,700hn in 1995, increased issuance is likely to be concentrated in two, four, six and 20-year notes.

Issuance of 20-year paper, for example, is expected to incraase from Y200bn to Y1,200bn. Issuance of 10-year bonds is expected to he unchanged at Y12,000bn. With worries over supply peaking, and investors bacoming increasingly convinced of a fragile recovery, Mr Vestal believes the yield on the long bond could drop to 4.3 per cent over the next few months.

Gilts record their worst performance since 1955

By Graham Bowley

UK government honds recorded a total return of minus 7 per cent last year, their worst performance since 1955, according to a study by S. G. Warburg, the UK investment bank.

Long-dated gilts, traditionally the most volatila sector of the gilts market, were the worst performers, posting a return of minus 11 per cent, the lowest since 1974.

Medium-dated gilts recorded a return of minus 7 per cent, and while short-dated gilts posted a small positive return, last year was still that sector's worst since 1955.

The study concludes tbat: "The environment]in 1955] – in terms of the expected volatility of interest rates, debt maturity, structure of the market and expected returns – was very different then, so 1994 is deservedly described as 'the worst year in modern times'."

Cash and equities were also hit by the downturn in financial markets, the study found. Despite being the best-performing asset class last year, cash recorded the lowest returns since 1964, a reflection of low UK short-term interest rates.

Equities, which have outperformed gilts over the past 40 years, faired as badly as gilts. The study found that over the first half of the 1990s, gilts have performed on a par with equities for the first time in 20 years.

This may suggest that a shift hy investors from equities into bonds may have already been taking place for some time.

Tokyo futures trading volumes up by 58%

By Richard Lapper

Trading volumes at the Tokyo International Financial Futures Exchange (Tiffe) rose to record highs last year. Annual volume of 38,034,953 contracts was 57.7 per cent greater than in 1993.

Trading was dominated by the three-month euroyen interest rate future, with annual volumes totalling 37,425,846 contracts against 23,386,958 in 1993, a rise of 60 per cent.

The daily average trade during 1994 amounted to 153,988 contracts, compared with 98,074 contracts in 1993.

Growth in the smaller one-year euroyen future was also strong, rising from 4,434 to 25,100, a rise of 466.1 per cent.

By contrast, trading activity in Tiffe's two other contracts declined. The option on the three-month euroyen future was down by 16.9 per cent to 570,237, and trading volumes in the dollar yen currency future fell by 71.5 per cent to 13,770.

Overall trading volumes at the exchange have risen from 4,615,064 since 1989.

● Allgemeine Hypothekenbank, the German mortgage bank, is to issue DM150m of two-year Pfandbriefe, or mortgage-backed bonds, in a deal lead-managed hy Deutsche Bank.

The honds have an issue price of 100.09 and pay a coupon equal to the three-month Frankfurt interbank offered rate, or Fibor.

Pfandbriefe are a uniquely German type of bond used by banks to finance mortgages and municipal loans.

COMMODITIES PRICES (Friday December 30)

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1951-2	1977-7.5
Previous	1956-6	1981-2
High/low		1984/1976
AM Official	1951-2	1977-7.5
Kerb close		1980-1
Open int.	N/A	
Total daily turnover	N/A	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1867-70	1910-20
Previous	1870-80	1915-25
High/low		
AM Official	1867-70	1910-20
Kerb close		1910-20
Open int.	N/A	
Total daily turnover	N/A	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	650-1	669-9.5
Previous	649-50	668-9
High/low		671/666
AM Official	650-1	669-9.5
Kerb close		670-1
Open int	N/A	
Total daily turnover	N/A	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8860-70	8990-9000
Previous	8810-20	8960-70
High/low		9070/8960
AM Official	8860-70	8990-9000
Kerb close		8973-5
Open int	N/A	
Total daily turnover	N/A	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6010-20	6110-5
Previous	5995-6005	6090-100
High/low		6200/6110
AM Official	6010-20	6110-5
Kerb close		6200-20
Open int	N/A	
Total daily turnover	N/A	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1134-5	1158-9
Previous	1133.5-4.5	1180-1
High/low		1163/1157
AM Official	1134-5	1158-9
Kerb close		1180-1
Open int	N/A	
Total daily turnover	N/A	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	3039-40	3028-9
Previous	3016-7	3002-3
High/low	3041/3040	3032/3010
AM Official	3031-40	3028-9
Kerb close		3022-3
Open int.	N/A	
Total daily turnover	N/A	

■ LME AM Official £/$ rate: 1.5620

LME Closing £/$ rate: 1.5620

Spot:1.5620 3 mths:1.5617 6 mths:1.5615 9 mths:1.5611

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Jan	140.75	+1.90	140.40	138.20	2,627	393
Feb	139.10	+0.30	139.10	139.10	823	73
Mar	138.60	+0.55	139.00	137.30	29,357	3,771
Apr	134.90	+0.85	134.00	133.90	881	49
May	132.60	+1.15	132.70	131.10	4,456	151
Jun	130.40	+0.05	130.70	128.70	531	32
Total					49,995	4,606

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	382.50-383.00	
Opening	382.70-383.10	
Morning fix	382.50	244.565
Afternoon fix	-	
Day's High	383.10	
Day's Low	381.80	
Previous close	384.10-384.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.01	6 months	6.00
2 months	5.14	12 months	6.59
3 months	5.37		

Silver Fix	p/troy oz.	US cts equiv.
Spot	310.20	485.00
3 months	314.70	491.95
6 months	320.20	500.45
1 year	332.50	518.40

Gold Coins	$ price	£ equiv.
Krugerrand	383-386	245-248
Maple Leaf	393.45-395.90	
New Sovereign	89-92	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jan	383.1	+0.4	-	-	-	-
Feb	384.4	+0.3	384.8	383.7	82,075	23,830
Apr	388.4	+0.3	388.5	387.6	14,552	1,025
Jun	392.8	+0.3	392.9	391.9	21,527	222
Aug	397.2	+0.3	-	-	12,945	1
Oct	401.9	+0.5	-	-	4,839	75
Total					178,442	26,596

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jan	414.7	-0.3	415.0	411.0	1,312	1,545
Apr	421.2	+0.4	421.0	419.0	19,125	5,135
Jul	425.9	+0.4	426.5	425.0	2,097	310
Oct	430.1	+0.9	-	-	828	-
Jan	433.8	+0.9	-	-	116	1
Total					23,478	6,991

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	160.25	+0.25	161.00	159.10	6,414	348
Jun	161.50	+0.25	161.50	161.50	829	16
Sep	162.50	+0.25	-	-	143	15
Dec	163.50	+0.25	-	-	11	-
Total					7,397	379

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jan	487.4	+1.6	482.0	481.5	182	18
Feb	488.4	+1.5	-	-	1	-
Mar	491.7	+1.5	492.0	486.0	71,770	14,617
May	497.7	+1.3	498.5	492.0	11,609	516
Jul	504.3	+1.3	504.0	499.0	7,487	473
Sep	511.0	+1.3	-	-	9,699	10
Total					130,795	15,856

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	17.76	+0.04	17.84	17.65	87,421	32,397
Mar	17.71	+0.04	17.80	17.63	54,092	16,749
Apr	17.73	+0.04	17.81	17.65	22,594	7,320
May	17.75	+0.04	17.80	17.73	13,320	1,909
Jun	17.77	+0.04	17.82	17.70	26,516	2,361
Jul	17.80	+0.05	17.84	17.75	14,759	2,127
Total					353,347	74,853

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	16.50	+0.08	16.53	16.44	87,246	7,245
Mar	16.47	+0.07	16.52	16.44	28,616	3,354
Apr	16.53	+0.11	16.54	16.44	14,144	433
May	16.54	+0.09	16.54	16.46	6,936	91
Jun	16.54	+0.09	16.52	16.52	7,870	7
Jul	16.63	+0.20	16.65	16.50	4,501	35
Total					158,716	11,199

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	51.31	+0.65	51.60	50.55	9,057	18,546
Feb	51.23	+0.47	51.30	50.70	48,219	21,296
Mar	50.90	+0.29	51.15	50.55	26,007	4,930
Apr	50.25	+0.20	50.55	50.00	15,047	852
May	49.70	+0.10	49.75	49.55	7,294	231
Jun	49.40	+0.05	49.80	49.25	7,307	435
Total					139,036	46,548

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	147.75	+1.25	147.75	146.50	35,740	5,026
Feb	150.25	+1.00	150.25	149.25	29,497	2,555
Mar	152.00	+0.50	152.00	151.50	12,945	386
Apr	151.75	-	152.50	151.75	5,040	381
May	152.25	-	-	-	2,046	-
Jun	153.00	-	153.50	152.75	7,216	1,181
Total					98,857	9,058

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	1.725	+0.039	1.735	1.687	26,635	6,249
Mar	1.733	+0.043	1.740	1.688	17,574	2,248
Apr	1.693	+0.028	1.690	1.678	9,680	1,215
May	1.688	+0.023	1.690	1.670	9,384	396
Jun	1.701	+0.021	1.705	1.685	6,194	564
Jul	1.715	+0.020	1.715	1.705	9,032	787
Total					132,186	13,970

■ UNLEADED GASOLINE

NYMEX (42,000 US galls.; c/US galls.)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	55.90	+0.91	56.75	54.50	5,430	11,250
Mar	55.78	+0.61	56.10	55.00	19,769	14,253
Apr	53.52	+0.25	53.85	53.15	3,800	3,835
May	53.35	+0.37	50.40	55.00	10,812	1,217
Jun	55.78	+0.34	55.80	55.40	5,592	441
Jul	55.88	+0.34	55.50	55.60	[illegible]	[illegible]
Total					54,897	31,084

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	108.80	-0.30	-	-	787	-
Mar	109.90	-0.45	109.90	109.80	1,722	31
May	111.80	-0.40	112.00	111.50	1,842	38
Jul	113.80	-0.40	113.50	113.50	312	11
Sep	97.50	-	-	-	80	-
Nov	98.95	-0.05	99.00	99.00	1,164	64
Total					N/A	N/A

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	401/4	-1/4	406/0	400/0	42,745	7,328
May	378/6	-2/2	381/0	376/0	8,197	1,575
Jul	347/4	-	348/4	346/4	15,168	938
Sep	352/4	+0/4	353/0	351/6	834	70
Dec	362/4	+1/0	364/0	362/4	304	21
Mar	374/0	-	-	-	12	-
Total					67,286	9,932

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	231/0	-0/4	231/6	230/6	119,886	23,092
May	238/2	-1/0	239/4	238/2	53,607	4,834
Jul	243/2	-0/6	244/2	243/0	50,031	4,633
Sep	246/4	-0/4	247/0	246/0	5,748	930
Dec	249/0	-0/4	249/4	248/4	33,932	3,236
Mar	255/6	-0/6	258/4	255/4	3,066	423
Total					287,936	37,282

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	104.00	-	104.00	104.00	243	0
Mar	105.80	+0.05	105.80	105.80	249	6
May	107.75	-	-	-	69	-
Sep	95.75	-	-	-	30	-
Nov	97.50	-	-	-	65	-
Jan	98.90	-	-	-	-	-
Total					658	16

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	550/6	-6/4	557/0	550/2	13,412	23,051
Mar	561/4	-6/6	568/2	561/0	50,738	21,472
May	571/0	-6/4	577/4	570/2	23,193	2,692
Jul	576/6	-6/6	583/4	576/4	38,383	1,464
Aug	580/0	-8/0	588/0	580/0	2,321	68
Sep	579/0	-8/0	587/0	579/0	1,897	252
Total					133,646	48,932

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	29.83	+0.06	29.90	29.60	18,211	6,625
Mar	28.27	+0.02	28.45	28.10	46,445	9,364
May	26.80	+0.04	27.00	26.65	21,920	3,054
Jul	25.93	-0.05	26.19	25.85	12,530	2,317
Aug	25.50	-	25.75	25.50	2,788	97
Sep	25.05	-0.17	25.60	25.05	3,070	151
Total					116,023	23,027

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	153.2	-4.1	157.0	153.0	7,367	9,723
Mar	156.0	-3.6	160.0	156.2	34,899	9,520
May	161.4	-2.9	164.0	160.5	17,573	3,439
Jul	165.3	-3.1	168.2	165.0	13,522	1,268
Aug	167.3	-3.2	170.3	167.2	3,554	388
Sep	169.4	-3.1	172.3	169.2	2,132	511
Total					89,324	25,384

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	250.0	-	-	-	-	-
Apr	277.3	-3.2	278.7	277.0	1,431	21
May	305.5	-	-	-	7	-
Jun	350.0	-	-	-	-	-
Total					1,438	21

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	2048	+40	2055	2015	881	39
Feb	2035	+19	2040	2025	235	38
Mar	2035	+22	2040	2015	145	44
Apr	1944	+76	1950	1925	1,613	82
Jul	1730	+25	1730	1705	335	152
Oct	1750	+12	1750	1750	144	7
Total					3,363	352

	Close	Prev
BFI	1965	1970

Wool

The Australian market closed 1994 with prices about 50pc higher than when the year began. The rise for wool growers was enough to mean a return to economic production after the extremes of deep recession. The wool trade and textile industry experienced a much more satisfactory year as prices took an upward trend. The problem which developed during the latter half of the year was that of passing on the higher raw wool prices. Lower levels led to better business but when it comes to replacement retailers were reluctant to pay prices up by 50pc to 100pc or for speciality fibres by more than that. Wool is not the only commodity facing this problem of a rising market at the primary end but resistance further down the line, closely related to policies designed to check inflation. The outlook for 1995 is seen as difficult largely for this reason.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	975	-9	981	973	900	226
May	971	-6	977	970	43,383	2,789
Jul	977	-12	985	978	18,157	240
Sep	985	-13	985	986	7,434	34
Dec	997	-13	1004	996	13,056	83
Mar	1007	-13	1020	1008	12,315	303
Total					N/A	N/A

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1280	-25	1310	1277	34,629	7,819
May	1297	-27	1327	1295	11,984	679
Jul	1316	-27	1344	1315	8,907	482
Sep	1336	-25	1364	1360	2,433	51
Dec	1368	-25	-	-	4,537	2
Mar	1383	-25	-	-	6,739	2
Total					74,347	9,231

■ COCOA (ICCO) (SDR's/tonne)

Dec. 29	Price	Prev. day
Daily	988.17	980.14

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	2765	-58	2795	2759	1,527	602
Mar	2822	-54	2850	2805	13,787	683
May	2798	-48	2817	2785	3,821	398
Jul	2773	-62	2808	2790	2,189	31
Sep	2768	-75	2775	2775	2,677	30
Nov	2768	-75	-	-	561	-
Total					25,545	1,544

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	168.85	-5.00	172.00	167.75	15,753	4,911
May	170.30	-4.95	172.75	169.20	8,386	1,340
Jul	171.35	-5.35	173.50	170.70	3,397	447
Sep	171.00	-5.50	173.00	170.50	2,227	54
Dec	170.50	-5.65	175.00	170.50	2,742	157
Mar	169.50	-5.40	172.00	172.00	244	77
Total					32,781	6,992

■ COFFEE (ICO) (US cents/pound)

Dec. 29	Price	Prev. day
Comp. daily	155.46	154.86
15 day average	148.11	147.95

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	15.12	+2.12	-	-	480	-
Mar	15.12	+0.03	-	-	860	-
May	15.21	+0.03	-	-	300	-
Jul	14.92	-	-	-	-	-
Total					1,640	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	410.50	+0.20	411.30	410.00	13,255	72
May	405.50	+0.20	405.20	405.20	5,502	12
Aug	393.60	-0.10	394.00	394.00	4,546	9
Oct	365.30	+0.10	365.30	363.50	1,657	19
Dec	356.30	+2.70	356.00	356.00	136	10
Mar	359.30	+4.00	-	-	229	-
Total					25,375	122

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	15.17	+0.28	15.22	14.89	89,493	6,578
May	15.25	+0.29	15.26	15.01	36,929	2,348
Jul	14.85	+0.28	14.86	14.68	24,747	973
Oct	13.88	+0.14	13.88	13.80	27,460	881
Mar	13.17	+0.12	13.16	13.15	6,878	215
May	13.00	+0.05	13.00	13.00	2,095	2
Total					185,257	11,007

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	90.35	+0.49	91.60	90.07	32,863	3,380
May	89.98	+0.33	90.90	89.70	13,713	1,403
Jul	88.16	+0.73	88.88	88.00	9,023	938
Oct	78.20	+1.10	78.25	77.75	2,164	257
Dec	73.49	+0.50	73.50	73.30	8,523	442
Mar	73.90	+0.25	74.00	73.70	104	1
Total					68,214	6,420

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	107.30	+0.50	108.60	106.60	2,473	1,988
Mar	111.75	+0.45	113.40	111.40	14,896	4,393
May	114.75	+0.25	116.50	114.75	2,241	408
Jul	117.75	+0.25	120.00	119.00	1,041	41
Sep	121.00	+0.75	122.50	121.00	2,586	116
Nov	120.00	+0.75	120.00	120.00	1,806	127
Total					25,863	7,373

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Dec. 30	Dec. 29	month ago	year ago
2242.1	2240.8	2157.8	1664.5

■ CRB Futures (Base: 1967=100)

Dec. 29	Dec. 28	month ago	year ago
236.38	235.82	229.85	226.16

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	72.675	+0.400	72.775	71.500	32,237	3,765
Apr	72.900	+0.950	72.950	72.125	24,301	2,005
Jun	67.325	+0.525	67.350	66.800	8,244	851
Aug	64.800	+0.500	64.850	64.550	3,543	252
Oct	65.050	+0.350	65.100	64.750	1,883	81
Dec	65.825	+0.375	65.700	65.350	343	20
Total					70,598	6,958

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	33.400	-0.075	39.950	39.100	13,976	3,082
Apr	38.900	+0.675	40.200	38.500	9,781	2,843
Jun	45.175	+0.850	45.825	45.000	5,633	1,155
Aug	44.700	+0.100	45.100	44.500	1,733	212
Oct	42.750	+0.100	43.150	42.550	1,352	162
Dec	43.700	+0.950	44.225	43.300	478	93
Total					34,350	7,884

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	41.375	+0.075	41.675	40.700	6,801	1,283
Mar	41.900	+0.275	42.250	41.050	1,588	186
May	43.100	+0.500	43.800	42.500	568	73
Jul	44.075	+0.325	44.750	43.700	600	01
Aug	43.250	+0.550	43.700	42.500	239	48
Feb	49.800	+0.850	49.950	49.250	24	2
Total					9,829	1,671

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM

(99.7%) LME	Mar	Jul	Mar	Jul
1900	-	-	-	-
1950	-	-	-	-
2000	-	-	-	-

■ COPPER

(Grade A) LME	Mar	Jul	Mar	Jul
2700	-	-	-	-
2800	-	-	-	-
2900	-	-	-	-

■ COFFEE LCE

	Mar	May	Mar	May
2600	-	-	-	-
2650	-	-	-	-
2700	-	-	-	-

■ COCOA LCE

	Mar	May	Mar	May
925	-	-	-	-
950	-	-	-	-
975	-	-	-	-

■ BRENT CRUDE IPE

	Apr	Jul	Apr	Jul
1600	79	114	26	51
1650	54	86	51	73
1700	36	83	83	100

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb)

		+or-
Dubai	$16.06-6.11u	
Brent Blend (dated)	$16.18-6.21	-0.075
Brent Blend (Feb)	$16.47-6.50	-0.055
W.T.I. (1pm est)	$17.76-7.77u	-0.06

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$164-166	+7.0
Gas Oil	$148-149	+1.0
Heavy Fuel Oil	$104-106	
Naphtha	$160-163	-1.0
Jet fuel	$166-168	+2.0
Diesel	$153-155	+1.0

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

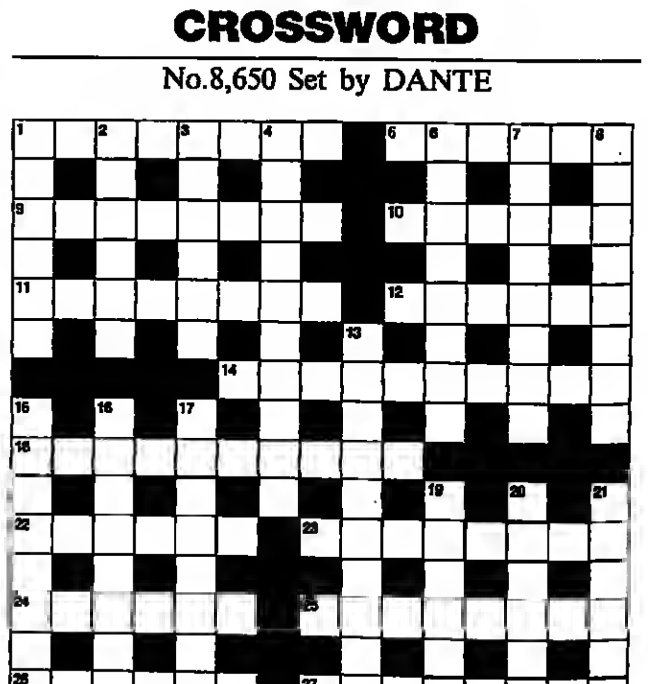
Gold (per troy oz)♣	$382.75	-1.55
Silver (per troy oz)♣	488.0c	-3.5
Platinum (per troy oz.)	$416.50	-2.25
Palladium (per troy oz.)	$156.75	-0.50
Copper (US prod.)	143.0c	
Lead (US prod.)	40.75c	
Tin (Kuala Lumpur)	15.20r	+0.15
Tin (New York)	265.5c	+3.0
Cattle (live weight)†	124.53p	-1.11*
Sheep (live weight)†♦	122.49p	-4.89*
Pigs (live weight)	85.16p	+1.72*
Lon. day sugar (raw)	$352.00	-4.80
Lon. day sugar (wte)	$413.80	-0.50
Tate & Lyle export	£346.00	-5.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£132.0	
Wheat (US Dark North)	£165.0	
Rubber (Feb)♥	N/A	
Rubber (Mar)♥	N/A	
Rubber (KL RSS No1 Jul)	368.0m	+2.0
Coconut Oil (Phil)§	$685.0y	+10.0
Palm Oil (Malay.)§	$730.0z	+15.0
Copra (Phil)§	$444.0q	
Soyabeans (US)	£173.0z	
Cotton Outlook'A' index	N/A	
Wooltops (64s Super)	478p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. u Nov/Dec. [illegible] § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week. † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,650 Set by DANTE



ACROSS

1 Marlborough's success when be was in nimble form (8)
5 Made to smile by a thought? (6)
9 Money held in trust not long ago (8)
10 Wit of a turbulent priest (6)
11 Unfairness in the value of shares (8)
12 Plant grain with the backing of the French (6)
14 A battle in the last war (10)
18 Additional one perhaps coming to us from outside (10)
22 Royal house that is divided internally, naturally (6)
23 Evidence that the deal is not perfect (8)
24 Where a girl is turned back after six (6)
25 Cries from clumsy seamen on prow of boat (8)
26 Do some stocktaking with odd result (6)
27 Fatherly friend swallows a tear (8)

DOWN

1 Offer that is about right, although below par (6)
2 Former top tennis player, we hear, to go over the top (6)
3 End call with difficulty, we hear (4-2)
4 Unlucky enough to be badly cast as a leading actor (3-7)
6 Mr, in some letters, is an incorrect form of address (8)
7 Night air coming through the window? (8)
8 You may lose a whole day going over it (4-4)
13 Dreadful Australian orgy (10)
15 Rotating arm (8)
16 Galley-vessels? (8)
17 Alarming trouble on the border (8)
19 Firm for horses (6)
20 Just puts a point on the blunt end (6)
21 A steel assembly plant (6)

Solution to Saturday's prize puzzle on Saturday January 14.
Solution to yesterday's prize puzzle on Monday January 16.

COMPANY NEWS: UK

ICL may enter alliances with Bull

By John Ridding in Paris

ICL, the UK-based computing group, may develop specific alliances with Group Bull but does not want to take a stake in its French counterpart as part of its privatisation, according to Mr Peter Bonfield, chairman.

In an interview in the Tribune Desfossés, the French business daily, Mr Bonfield said that his company wanted to maintain its financial resources.

Ha added, however, that if Bull reorganised into separate business units then partnerships with some of them were "absolutely possible". He did not specify in which areas co-operation could take place and said that for the moment it was only at the discussion stage.

Mr Bonfield, who has implemented a significant restructuring at ICL and was consulted hy the French government about a recovery plan for Bull, sounded a positive note about prospects for the French group.

"Bull has good products, able people and a good position in certain markets and I believe that tha group is more advanced along the path to recovery than one might think." In the longer term, however, he said that it remained to be seen whether the French group is sufficiently differentiated in its markets.

Mr Bonfield said that he welcomed the privatisation of Bull, which is being implemented through the sale of stakes to industry partners. "Bull will cease receiving public subsidies which create distortions in competition", he said, referring to a succession of capital injections by the French government to its loss-making computer company.

With respect to prospects for ICL, which is 85 per cent owned by Fujitsu of Japan, Mr Bonfield said that the bulk of reorganisation measures had been implemented and that restructuring costs would be reduced this year. "Our workforce is now about 24,000 and I don't sxpect a variation of more than few hundred either way."

According to Mr Bonfield, the company's results for 1994 would be similar to those achieved in 1993 when pre-tax profits amounted to £24m. He said that activity had remained sluggish in some markets, such as Spain, Germany and France, but prospects were brighter for 1995.

Transformation through continuity

IMI now intends to revamp its special engineering side. Andrew Baxter reports

Stability, tradition and the aromas of honest English cooking so exude from the directors' dining room at IMI that it is hard to believe the Birmingham-based engineering group has been through so many changes in the past 17 years.

The former Imperial Metal Industries, floated by ICI in 1978, is neither "imperial" nor reliant any more on its old metals business – non-ferrous semi-fabrications which used to be made next door to IMI's headquarters building at Witton in Birmingham.

"In 1978, we were very heavily dependent on the UK market," says Mr Gary Allen, chief executive. "We wanted to concentrate on businesses with higher added value, but they were being swamped hy the metals side."

The avuncular Mr Allen, who joined IMI in 1965, became a board member in 1978 and chief executive in 1986, adds to the aura of continuity. Yet he has been the key figure in moving IMI away from its mundane metal-bashing roots.

Along the way have come high-profile problems that have tended to overshadow the grand design, notably in the titanium husiness, badly hit by the recession in aerospace, and in computer software.

The hroad aim, says Mr Allen, has been to create a cohssive gronp of "clearly defined, global businesses with technical and market leadership." But is it right to view the company as having been completely transformed? "Three quarters true," says Mr Allen.

The above description applies well, he says, to three of the four divisions – building products, drinks dispense and fluid power. The fourth, special engineering, is where Mr Allen sees the need for further change.

There has been a history of disposals in the division. Four years ago, its big car and truck radiator business was sold. Earlier, IMI had quit the zip fasteners business when its joint venture with a German company was sold to Coats Viyella.

But the division still has a product range that defies easy classification.

It includes titanium products and a wide range of other interests – copper and alloy tubes; industrial valves; minting and engineering components; heat exchangers, sporting ammunition and sealing and sensing devices.

Mr Allen believes the division is "less of a ragbag than it was".

The special purpose valves husinesses work well together, he says. The businesses within the IMI Components sub-section – the Birmingham Mint and niche engineering interests including precision diecasting and rapid prototyping – have similar management styles and technology, even if their market places differ widely.

But he still wants fewer businesses in the division and each of them to be higger, which will require acquisitions.

It also implies disposals. Mr Allen says that IMI would be prepared to divest parts of the division if it could not see a way to develop them, hut stresses there are no "for sale" signs up.

Ultimately, Mr Allen hopes that the special engineering side could be turned into another fluid power division, which is dominated by the Norgren Martonair range of pneumatic systems and components.

In 1993 special engineering had turnover of £243m and profits of £15.9m, up 7 and 33 per cent respectively on 1992, dne largely to reduced losses in IMI Titanium and strong performances in sporting ammunition and minting.

The performance compares with operating profits of £16.7m in fluid power on turnover of just £220m, and £30m profits in the drinks dispense business, on turnover of £257m.

That was the kind of money IMI was making from special engineering in 1990, when profits peaked at £33.4m on turnover of £265m. Because of increased competition, Mr Allen does not believe that is achievable again, but the division can make very good returns, he says.

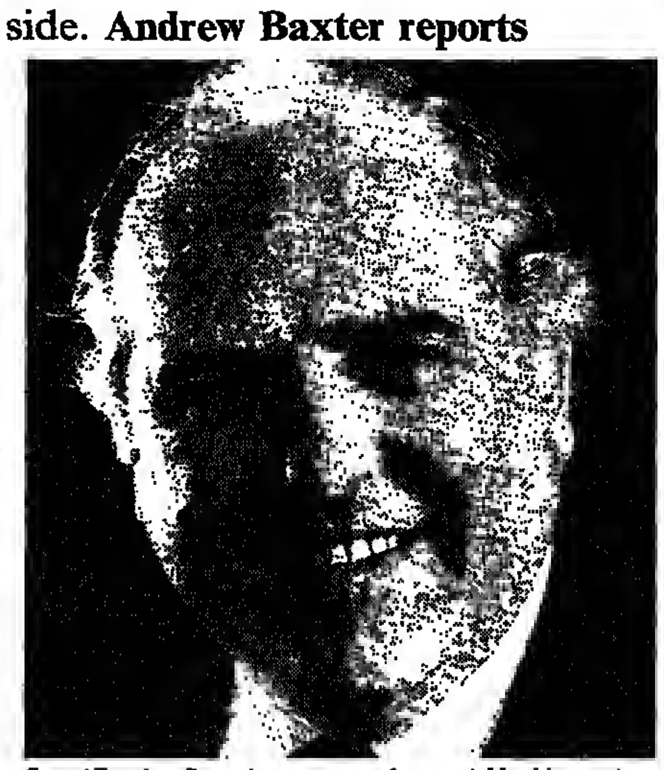
The outlook for the titanium business, which is still losing money bot will remain an integral part of the division, depends crucially on the aerospace market. "To stay in the husiness you have to be prepared to see through the cycle," says Mr Allen. But conditions can improve quickly after a downturn and there are signs of a pick-up in civil aerospace.

If the special engineering division needs some attention, Mr Allen is optimistic about organic growth prospects elsewhere, and does not see the need for IMI to add a "fifth leg" to its business.

In drinks dispense, for example, be sees considerable opportunities for growth hy following leading clients such as Coca-Cola and Pepsi as they expand into new markets.

Overall, however, Mr Allen believes the group bas to expand its presence in Asia, which accounted for only £99m of 1993's total turnover of £1.06bn.

"We are clearly underweight in south-east Asia, and possibly underweight In Latin America," he says. "We have been slow to develop in south-east Asia, and we would like to be bigger."



Gary Allen: key figure in move away from metal-bashing roots

Floating along on the crest of a wave – again?

Christopher Price assesses the prospects for new issues in 1995 after last year's £10bn record

More than £10bn was raised in the new issue market last year – the highest yearly total ever, according to KMPG Peat Marwick, the accountant.

The number of flotations – 223 for full listing – was also the highest ever recorded as companies flocked to the market to take advantage of demand from institutional investors.

But the figures also show a distinction between the quarters of 1994, with a drop in listings in the second half of the year as investor demand dried up and tbe new issoe market was hit by high-profile upsets.

According to KMPG, there were 73 new issues (including USM listings) in the first quarter, falling to 66 in the following period, and then to 49 in tbe tbird qoarter, before steadying at 51 in the final period.

The previous record was the final period of 1993 when 80 new companies came to the market.

While the second half figures show a decline, they do not record the high number of companies which postponed or cancelled their float plans through a lack of demand or because the price investors were willing to pay was too low.

There were as many as two dozen of these in the second half of 1994, and probably as many again which put plans on ice after initial soundings met a poor response.

Now, many participants expect the new issue market to pick up in the new year.

"The merchant banks are still trying to interest us in new issues and I think the first two quarters could be quite busy," said Mr Mark Hudson, small companies analyst at BZW, the stockbroker.

Mr David Hurst-Brown, director at SG Warburg, the merchant bank, agreed.

But be believes activity will be restricted by a lack of institutional funds.

"My worry is not where the mmey goes, but where is it coming from," he said.

Foreign investment could be one source, although funds from unit trusts and fund managers are likely to be under pressure from other demands.

"Thsre is plenty of value to be had out there in establisbed stocks on single p/e's and with good track records – without investors having to take a gamble with something that might blow up in their face," said Mr Hudson.

He added: "There will not be a repeat of the great weight of money coming into the small company market. The recovery cycle that attracted so much money in 1993-94 has moved on."

Another merchant banker said: "The ones that will successfully float in 1995 are the companies with a good story to tell. There will always be a market for good quality stocks coming to the market. What we won't see are the less credible types which crept through last time."

Several of tbe companies which postponed flotations, blaming "market conditions", are considering coming back in the first half of this year.

Much will depend on how far down the listing path a company went. For those that followed the entire flotation process, only to pull out close to their listing, returning raises questions of credibility.

Mr Roger North, chairman and managing director at Ushers, the Wiltshire-based brewer and puh chain, which pulled its flotation days before its proposed listing last month, , said the group was unlikely to make another attempt in the foreseeable future.

"We had 33 institutions which said they wanted to invest around £38m, hut it wasn't near enough the £50m we needed." He added: "We ran into a wall of hostility against new issues and the demand just was not there. We called it wrong."

NUMBER OF NEW ISSUES AND FUNDS RAISED

Full listing	No. of issues	Funds raised Total £m
1985	71	1,450
1986	112	8,960
1987	125	4,997
1988	100	3,752
1989	78	7,257
1990	98	6,081
1991	81	5,097
1992	64	2,260
1993	163	5,169
1994	223	10,359

Source: KMPG Peat Marwick

Jermyn disposes of Browning stake

Jermyn Investment Company, the property concern, is to dispose of its 29.6 per cent holding in Browning Enterprises, a private wholesaler of imported sboes, to Browning for £600,000 cash.

Directors explained that to facilitate the deal, Jermyn will lend Browning £500,000, wbich will be repayahle in instalments np to the end of 1997.

PEOPLE

■ PROFESSOR PD HENDERSON has resigned as a director of Hoare Govett Smaller Companies Index Investment Trust.

■ ANTHONY HALL is appointed non-executive director of Beales Hunter; he has been a director of Ferguson International since 1988.

■ DOMINIC SHORTHOUSE has resigned as a director of Sterling Publishing.

■ NIGEL TURNBULL has retired from the hoard of Newarthill. DEREK BUDDEN, the financial adviser, has been appointed a director.

■ EAMONN CONNOR has resigned as a director of Jones Group.

■ GERALD WAINWRIGHT has resigned as a director of Huntleigh Technology.

■ NICHOLAS OPPENHEIM has resigned as a non-executive director of Apta Healthcare.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, December 30, 1994 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	5414.45	3460.62	2232.76	3468.8
Albania	(Lek)	157.120	100.428	64.7917	100.68
Algeria	(Dinar)	67.3478	43.0474	27.7722	43.1467
Andorra	(Fr Franc)	8.3494	5.3367	3.443	5.349
	(Sp Peseta)	205.935	131.63	84.9216	131.939
Angola	(New Kwanza)	793011.9	506879	327010	508048
Antigua	(E Carr $)	4.2215	2.6983	1.7408	2.7045
Argentina	(Peso)	1.5646	1	0.6451	1.0023
Aruba	(Florin)	2.7987	1.7888	1.1541	1.793
Australia	(Aus $)	2.0170	1.2892	0.8317	1.2922
Austria	(Schilling)	17.0648	10.9075	7.037	10.9326
Azores	(Port Escudo)	249.063	159.2	102.709	159.568
Bahamas	(Bahama $)	1.5645	1	0.6451	1.0023
Bahrain	(Dinar)	0.5898	0.3769	0.2432	0.3778
Balearic Is	(Sp Peseta)	205.935	131.63	84.9210	131.932
Bangladesh	(Taka)	62.2671	39.8	25.6771	39.8917
Barbados	(Barb $)	3.1447	2.01	1.2967	2.0146
Belgium	(Belg Fr)	49.7981	31.83	20.5352	31.9034
Belize	(B $)	3.1270	1.9987	1.2894	2.0033
Benin	(CFA Fr)	834.940	533.678	344.305	534.909
Bermuda	(Bermudan $)	1.5645	1	0.6451	1.0023
Bhutan	(Ngultrum)	49.0765	31.3688	20.2377	31.4411
Bolivia	(Boliviano)	7.3688	4.71	3.0386	4.7208
Botswana	(Pula)	4.2746	2.7322	1.7627	2.7385
Brazil	(Real)	1.3251	0.8469	0.5464	0.8489
Brunei	(Brunei $)	2.2810	1.4579	0.9406	1.4613
Bulgaria	(Lev)	103.222	65.9776	42.5657	66.1297
Burkina Faso	(CFA Fr)	834.940	533.678	344.305	534.909
Burma	(Kyat)	9.1906	5.8744	3.7899	5.888
Burundi	(Burundi Fr)	387.990	247.996	159.996	248.568
Cambodia	(Riel)	4054.10	2591.36	1671.82	2597.32
Cameroon	(CFA Fr)	834.940	533.678	344.305	534.909
Canada	(Canadian $)	2.1945	1.4026	0.9049	1.4059
Canary Is	(Sp Peseta)	205.935	131.63	84.9216	131.933
Cp. Verde	(CV Escudo)	129.724	82.9172	53.4944	83.1084
Cayman Is	(CI $)	1.2949	0.8275	0.5339	0.8235
Cent.Afr. Rep	(CFA Fr)	834.940	533.678	344.305	534.909
Chad	(CFA Fr)	834.940	533.678	344.305	534.909
Chile	(Chilean Peso)	627.443	401.05	258.739	401.975
China	(Yuan)	13.2141	8.4462	5.4491	8.4658
Colombia	(Col Peso)	1301.04	831.601	536.511	833.518
CIS ‡	(Rouble)	1.0423o	0.6662	0.4298	0.6677
		5612.60m	3587.47	2314.47	3595.75
Comoros	(Fr)	628.633	401.811	259.23	402.739
Congo (Brazz)	(CFA Fr)	834.940	533.678	344.305	534.909
Costa Rica	(Colon)	256.867	164.185	105.925	164.563
Côte d'Ivoire	(CFA Fr)	834.940	533.678	344.305	534.909
Croatia	(Kuna)	8.8057	5.6284	3.6312	5.6414
Cuba	(Cuban Peso)	1.5635	0.9993	0.6447	1.0010
Cyprus	(Cyprus £)	0.7445	0.4758	0.307	0.4769
Czech Rep.	(Koruna)	43.6140	27.8772	17.9851	27.9415
Denmark	(Danish Krone)	9.5208	6.0856	3.9261	6.0995
Djibouti Rep	(Djib Fr)	277.865	177.608	114.584	178.016
Dominica	(E Carib $)	4.2215	2.6983	1.7408	2.7045
Dominican Rep	(D Peso)	20.6851	13.2215	8.5298	13.252
Ecuador	(Sucre)	3555.60o	2272.67	1466.23	2277.92
		3554.40s	2271.91	1465.73	2277.15
Egypt	(Egyptian £)	5.3296	3.4065	2.1977	3.4144
El Salvador	(Colon)	13.7118	8.7643	5.6543	8.7846
Equat'l Guinea	(CFA Fr)	834.940	533.678	344.305	534.909
Estonia	(Kroon)	19.3600	12.3745	7.9835	12.4031
Ethiopia	(Ethiopian Birr)	8.4742	5.4166	3.4945	5.429
Falkland Is	(Falk £)	1.00	0.6391	0.4123	0.6406
Faroe Is	(Danish Kroner)	9.5208	6.0855	3.9261	6.0995
Fiji Is	(Fiji $)	2.2030	1.4081	0.9084	1.4113
Finland	(Markka)	7.4150	4.7395	3.0577	4.7504
France	(Fr)	8.3494	5.3367	3.443	5.349
Fr. Cty/Africa	(CFA Fr)	834.940	533.678	344.305	534.909
Fr. Guiana	(Local Fr)	8.3494	5.3367	3.443	5.349
Fr. Pacific Is	(CFP Fr)	152.396	97.4087	62.8437	97.6334
Gabon	(CFA Fr)	834.940	533.678	344.305	534.909
Gambia	(Dalasi)	15.1268	9.6688	6.2378	9.6911
Germany	(D-Mark)	2.4250	1.55	1	1.5535
Ghana	(Cedi)	1621.35	1036.34	668.696	1038.73
Gibraltar	(Gib £)	1.00	0.6391	0.4123	0.6406
Greece	(Drachma)	376.419	240.0	155.224	241.155
Greenland	(Danish Krone)	9.5208	6.0855	3.9261	6.0995
Grenada	(E Carr $)	4.2215	2.6983	1.7408	2.7045
Guadaloupe	(Local Fr)	8.3494	5.3367	3.443	5.349
Guam	(US $)	1.5645	1	0.6451	1.0023
Guatemala	(Quetzal)	8.7695	5.6053	3.6162	5.6182
Guinea	(Fr)	1566.80	1001.47	646.103	1003.78
Guinea-Bissau	(Peso)	21315.1	13580.3	8748.49	13591.6
Guyana	(Guyanese $)	222.017	141.909	91.5534	142.237
Haiti	(Goude)	29.8472	19.0777	12.3081	19.1217
Honduras	(Lempira)	14.5562	9.304	6.0026	9.3255
Hong Kong	(HK $)	12.1046	7.737	4.9915	7.7549
Hungary	(Forint)	177.023	113.15	72.9991	113.411
Iceland	(Icelandic Krona)	107.272	68.5663	44.2358	68.7244
India	(Indian Rupee)	49.0765	31.3688	20.2377	31.4411
Indonesia	(Rupiah)	3438.77	2198	1418.05	2203.07
Iran	(Rial)	2705.50	1729.31	1115.67	1733.29
Iraq	(Iraqi Dinar)	0.8737	0.5584	0.3602	0.5597
Irish Rep	(Punt)	1.0131	0.6475	0.4177	0.649
Israel	(Shekel)	4.7208	3.0174	1.9467	3.0244
Italy	(Lira)	2538.01	1622.25	1046.6	1625.99
Jamaica	(Jamaican $)	49.9538	31.9295	20.5995	32.0032
Japan	(Yen)	158.090	99.7896	64.367	100
Jordan	(Jordanian Dinar)	1.1014	0.7039	0.4541	0.7056
Kenya	(Kenya Shilling)	70.1521	44.8463	28.9328	44.9497
Kiribati	(Australian $)	2.0170	1.2892	0.8317	1.2922
Korea North	(Won)	3.3615	2.1486	1.3861	2.1535
Korea South	(Won)	1233.61	788.501	508.705	790.32
Kuwait	(Kuwaiti Dinar)	0.4695	0.3	0.1936	0.3007
Laos	(New Kip)	1127.28	720.537	464.858	722.199
Latvia	(Lats)	0.8599	0.5496	0.3546	0.5509
Lebanon	(Lebanese £)	2576.73	1647	1062.57	1650.8
Lesotho	(Maluti)	5.5450	3.5442	2.2865	3.5524
Liberia	(Liberian $)	1.5645	1	0.6451	1.0023
Libya	(Libyan Dinar)	0.5588	0.3571	0.2304	0.3579
Liechtenstein	(Swiss Fr)	2.0474	1.3086	0.8442	1.3116
Lithuania	(Litas)	6.2540	3.9974	2.5789	4.0066
Luxembourg	(Lux Fr)	49.7981	31.83	20.5352	31.9034
Macao	(Pataca)	12.4985	7.9889	5.154	8.0072
Madagascar	(MG Fr)	5691.14	3637.67	2346.86	3646.08
Madeira	(Port Escudo)	[illegible]	159.2	102.709	159.568
Pakistan	(Pak. Rupee)	48.1384	30.7691	19.8508	30.8401
Panama	(Balboa)	1.5645	1	0.6451	1.0023
Papua New Guinea	(Kina)	1.8439	1.1785	0.7603	1.1813
Paraguay	(Guarani)	2994.10	1913.77	1234.68	1918.19
Peru	(New Sol)	3.4122	2.181	1.407	2.186
Philippines	(Peso)	38.1739	24.4	15.7416	24.4563

Special Drawing Rights December 29, 1994 United Kingdom £0.936983 United States $1.45579 Germany DM2.25627 Japan Y145.218 European Currency Unit Rates December 30, 1994 United Kingdom £0.787074 United States $1.23004 Germany DM1.90533 Japan Y122.659

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (l) Non commercial rate; (k) Business rate; (l) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate, (q) convertible rate, (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar; (v) Floating rate; ‡ CIS applies to states in the Rouble Zone. (†) Yugoslav Dinar ... (x) ... Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4365/3. Friday, December 30, 1994

BANKS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl	□	£22	0.4	Q61%	ф	Sep May	9'93	–
ANZ A$		212	1.4	Q25c	ф	Jan	12'93	–
Abbey National	†N□	430½	–1.3	15.55	2.1	May Oct	10.8	5411
Allied Irish I£	‡†N□	270	–	Q5½%	2.7	Oct May	15.8	1354
Anglo Irish I£	N□	54xd	–	Q17.6%	1.7	Jan Jul	28.11	1355
Asahi Y	□	741½	–4.6	Q14%	ф	Jan Dec	12'92	3048
Banco Bil Vz Pta	□	£15	–2.6	Q27.2%	2.7	JyOcJaAp	7'93	–
Banco Sant Pta		£24	–	Q36%	2.0	[illegible]	1.8	–
Bk Ireland I£	†N□	290xd	1.0	Q14.7%	3.2	Jan Jul	21.11	1360
Bank Scotland	‡†N□	611½	0.7	5.31	3.3	Jul Dec	17.10	1742
9¼pc Pf		117	–.4	9¼%	–	May Nov	17.10	1482
9⅝pc Pf		123	–.4	9¼%	–	May Nov	17.10	1685
Barclays	‡†N□	616½	–.6	16.65	2.4	Oct May	13.0	1754
Dai Ichi Kan Y	□	£12	–2.0	Q18%	1.2	Jan Dec	9'93	–
Deutsche DM	□	£296	8.0	Q33%	–	May	5'93	–
Espirito Santo	□	£9	3.7	Q60c	5.2	Jan	6'93	5187
First Nat Fin	N□	59½	1.7	1.5	–	Mar Aug	10.7	2571
0.3pc Cv Pf		89xd	–	6.3%	–	Jul Jan	12.12	2570
7pc Cv Pf		100xd	–2.7	7.9	–	Jul Jan	12.12	1488
Fuji Bank Y	□	1412¾	0.4	Q17%	ф	Dec Jan	7'93	–
HSBC HK	†N□	694	–3.3	24.5	2.4	Nov Jun	5.9	2799
HSBC (75p Shs)	†N□	708½	–2.4	24.5	2.4	Nov Jun	5.0	2776
Irish Permanent	JN□	228	0.4	9.0	2.0	Apr Oct	–	4709
Lloyds	†N□	552½	–2.4	23.0	2.1	Oct May	8.8	3171
Mitsubishi Y	□	£15	8.0	Q17%	ф	Jun Dec	12'92	–
Mits Tst & Bk Y	□	961	–3.0	Q16%	12.4	Jun Dec	12'92	–
Mitsui Tst & Bk Y	□	696¼	–1.9	Q17%	5.5	Jun Dec	12'92	–
Nat Aust A$		524	–.6	Q74c	ф	Jun Jul	21.8	–
NatWest	†N□	514	–4	18.4	2.3	Oct May	0.8	3463
Ottomane FFr		£27½	–	Q125%	ф	May	25.5	–
Ryl Bk Scotland	‡ф†N□	390½xd	–.4	13.75	2.9	Feb Jul	12.12	3874
Sakura Y	□	£8	–1.4	Q17%	2.9	Dec Jun	12'92	–
Sanwa Y	□	£12¼	–2.2	Q18%	2.9	Jun Dec	12'92	–
Standard Chartd	†N□	280½	0.5	6.37	4.2	Jun Oct	22.8	4094
7 3/8pc Prf		93¾	–3	7.37	–	Apr Oct	22.8	1719
Sumitomo T	□	£12	–1.2	Q17%	1.3	Jun Dec	12'92	–

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

	Notes	Price	Wk% ch'nge	Div	Dividends paid	Last xd	City line
WMX Technologies		17⁷⁄₁₆xd	1.1	60c	JaApJyOc	19.12	4439
Whirlpool		32[illegible]	-.8	$1.22	MrJeSeDe	3'93	-
Woolworth	♥	9[illegible]	-1.3	60c	MrJeSeDe	1'93	-

CANADIANS

	Notes	Price £	Wk% ch'nge	Div gross	Dividends paid	Last xd	City line
Amer Barrick		14[illegible]	3.9	20c	Jun Dec	-	-
Bk Montreal		11[illegible]	-3.2	$1.20	JaJeAuNv	2.11	1029
Bk Nova Scot		12[illegible]	-3.2	$1.24	JaApJyOc	5.10	1017
BC Gas	♥	815½p	-1.4	60c	FeMyAuNv	30.12	-
BCE		20[illegible]	-.8	$2.72	JaApJyOc	6'93	-
Brascan	♥	922½p	-2.6	$1.04	JaApJyOc	10'93	-
Can Imp Bk		15[illegible]xd	-3.2	$1.48	JaApJyOc	28.12	1037
Can Pacific		9[illegible]	-1.4	32c	JaApJyOc	12'93	-
4pc Deb		42	—	04%	Jan Jul	5'93	-
Denison	♥	150½p	0.1	28c	MrJeSeDe	8'90	-
Echo Bay	♥	700½p	3.0	7½c	Jun Dec	-	1070
Gulf Can	♥	188p	-4.0	-	-	3'93	-
Hawker Sid	♥	8[illegible]	—	$1.08	ApJyOcJa	11'93	-
Hudson's Bay	♥	11[illegible]	-.8	82c	AuJeSeDe	10'93	-
Imperial Oil	♥	21[illegible]	-.8	$1.82	MrJeSeDe	3'93	-
Inco		18[illegible]	-1.4	40c	MrJeOcDe	3'93	-
Nova Corp Alberta		582p	-2.1	24c	FeMyAuNv	3.8	-
Rio Algom	♥	11[illegible]	-.4	60c	Jun Dec	4'93	-
Royal Bk Can		12[illegible]	-2.2	$1.16	MrAuSeDe	26.10	1180
TVX Gold	♥	430p	4.1	-	-	-	-
Toronto-Dom		9[illegible]xd	-3.1	88c	JaApJyOc	12.12	1207
Trans Can Pipe	♥	7[illegible]	-2.1	84c	JaApJyOc	12'93	-

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£34	—	Q375c	1.8	Oct Apr	3'93	-
Barlow	‡	£9[illegible]xd	-1.0	Q56c	2.8	Jan Jul	12.12	-
Gold Flds Prop 8		118xd	—	Q52c	ϕ	Feb Sep	31.1	-
MK Props.		65	—	Q87.1c	-	Feb Sep	10'93	-
SASOL	♥	524	—	Q78c	-	Oct	9'93	-
SA Brews	†	£15[illegible]	9.1	Q163c	2.2	Jan Dec	21.11	-
Tiger Oats		763xd	—	Q85c	2.8	Jan Jul	12.12	-
Tongaat-Hulett	†b	725	—	Q80c	2.4	Feb Aug	4.1	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) UK & Irish incorporated non-listed companies.
- ✱ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on IIMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; x$ ex capital distribution

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BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Lazard Fund Mngrs (Channel Islands) Ltd
PO Box 275, St Peter Port, Guernsey, C.I. 0481 710461

[illegible]

Lloyds Intl Money Market Fund Ltd

[illegible]

M & G (Guernsey) Ltd

[illegible]

Prudential Fund Managers (Guernsey) Ltd

[illegible]

Rothschild Asset Management (CI) Ltd

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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OFFSHORE INSURANCES

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

...the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market ... UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 29. Base average 1990=100

WORLD INTEREST RATES

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 30		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Spain	(Pta)	24.18	4.624	4.055	1.178	0.492	1233	1.318	5.138	121.0	100.	5.648	0.984	0.486	1.066	0.760	75.61	0.620
Sweden	(SKr)	42.81	8.187	7.179	2.085	0.871	2182	2.334	9.097	214.2	177.0	10	1.760	0.860	1.867	1.346	134.2	1.097
Switzerland	(SFr)	24.32	4.851	4.079	1.185	0.495	1240	1.326	5.169	121.7	100.5	5.681	1	0.489	1.072	0.765	76.26	0.623
UK	(£)	49.79	9.521	8.348	2.425	1.013	2538	2.715	10.58	249.1	205.9	11.63	2.047	1	2.195	1.565	156.1	1.278
Canada	(C$)	22.68	4.338	3.804	1.105	0.462	1156	1.237	4.820	113.5	93.80	5.298	0.933	0.456	1	0.713	71.12	0.581
US	($)	31.81	6.084	5.335	1.550	0.647	1622	1.735	6.760	159.2	131.6	7.431	1.308	0.639	1.403	1	99.74	0.815
Japan	(Y)	31.90	6.099	5.348	1.553	0.649	1626	1.739	6.778	159.6	131.9	7.450	1.311	0.641	1.405	1.003	100.	0.817
Ecu		39.02	7.462	6.543	1.900	0.794	1989	2.128	8.292	195.2	161.4	8.114	1.604	0.794	1.720	1.226	122.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.6455	0.6475	+0.0028	0.6478	0.6442	31,537	68,724
Jun	0.6490	0.6504	+0.0029	0.6510	0.6490	195	1,992
Sep	-	0.6536	+0.0029	0.6533	0.6533	3	139

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.7645	0.7673	+0.0026	+0.7684	0.7638	18,818	35,111
Jun	0.7695	0.7728	+0.0027	+0.7735	0.7695	58	655
Sep	-	0.7787	+0.0027	+0.7788	-	1	55

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	1.0105	1.0108	-0.0004	1.0127	1.0088	18,648	66,466
Jun	1.0236	1.0239	-0.0005	1.0255	1.0230	1,877	6,512
Sep	-	1.0375	-0.0006	-	-	1	328

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	1.5568	1.5670	+0.0074	1.5688	1.5568	21,940	51,366
Jun	1.5610	1.5688	+0.0074	1.5650	1.5610	24	531
Sep	-	1.5662	+0.0074	1.5650	-	6	4

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.500	6.53	6.63	6.88	-	0.11	0.38
1.525	4.06	4.45	4.88	0.01	0.41	0.85
1.550	1.95	2.61	3.18	0.32	1.06	1.64
1.575	0.55	1.35	1.95	1.41	2.22	2.77
1.600	0.07	0.58	1.08	3.37	3.89	4.38
1.625	-	0.20	0.54	5.76	5.99	6.31

Previous day's vol., Calls 9,914 Puts 4,584 Prev. day's open int., Calls 222,985 Puts 235,825

■ **Pound in New York**

Dec 30	Close	Prev. close
£ spot	1.5665	1.5598
1 mth	1.5662	1.5596
3 mth	1.5660	1.5595
1 yr	1.5648	1.5583

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Company News page in today's edition.

UK INTEREST RATES

LONDON MONEY RATES

Dec 30	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 2	$5\frac{1}{4}$ - $4\frac{1}{2}$	6 - $5\frac{7}{8}$	$6\frac{11}{16}$ - $6\frac{9}{16}$	$7\frac{1}{4}$ - $7\frac{1}{8}$	8 - $7\frac{7}{8}$
Sterling CDs	-	-	$5\frac{7}{8}$ - $5\frac{13}{16}$	$6\frac{5}{8}$ - $6\frac{1}{2}$	7 - $6\frac{15}{16}$	$7\frac{13}{16}$ - $7\frac{11}{16}$
Treasury Bills	-	-	$5\frac{13}{16}$ - $5\frac{11}{16}$	$6\frac{1}{4}$ - $6\frac{1}{8}$	-	-
Bank Bills	-	-	$5\frac{13}{16}$ - $5\frac{11}{16}$	$6\frac{3}{8}$ - $6\frac{1}{4}$	$6\frac{7}{8}$ - $6\frac{3}{4}$	-
Local authority deps.	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{15}{16}$ - $5\frac{13}{16}$	$6\frac{7}{16}$ - $6\frac{3}{16}$	7 - $6\frac{7}{8}$	$7\frac{13}{16}$ - $7\frac{11}{16}$
Discount Market deps	5 - $3\frac{1}{2}$	$5\frac{1}{4}$ - 5	-	-	-	-

UK clearing bank base lending rate $6\frac{1}{4}$ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	$1\frac{1}{2}$	4	$3\frac{3}{4}$	$3\frac{3}{4}$	$3\frac{1}{2}$

Certs of Tax dep. under £100,000 is $1\frac{1}{2}$pc. Deposits withdrawn for cash $\frac{1}{4}$pc.
Ave. tender rate of discount 5.9162pc. ECGD fixed rate Stg. Export Finance. Make up day Dec 30, 1994. Agreed rate for period Jan 26, 1995 to Feb 25, 1995, Schemes II & III 7.71pc. Reference rate for period Dec 1, 1994 to Dec 30, 1994, Schemes IV & V 6.402pc. Finance House Base Rate $6\frac{1}{2}$pc from Jan 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Dec 30	Dec 23
Bills on offer	£350	£350m
Total of applications	£1501m	£1592m
Total allocated	£350m	£350m
Min. accepted bid	£98.525	£98.545
Allotment at min. level	100%	89%

	Dec 30	Dec 23
Top accepted rate	5.9162%	5.8359%
Ave. rate of discount	5.9162%	5.8347%
Average yield	6.0047%	5.9208%
Offer at next tender	£350m	£350m
Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday December 28, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,027,189,125	+89,418,924
Bankers deposits	1,907,103,495	+52,058,100
Reserve and other accounts	3,291,188,929	-94,018,396
	6,240,034,549	+47,458,628
Assets		
Government securities	1,057,739,789	+7,510,000
Advance and other accounts	4,248,576,209	-448,090,836
Premises, equipment and other secs	921,332,486	+480,640,879
Notes	12,168,091	+7,324,342
Coin	217,974	+74,243
	6,240,034,540	+47,458,628
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	20,447,831,909	+392,675,658
Notes in Banking Department	12,168,091	+7,324,342
	20,460,000,000	+400,000,000
Assets		
Other Government securities	12,552,646,445	+1,084,206,817
Other Securities	7,907,353,555	-684,206,817
	20,460,000,900	+400,000,000

BASE LENDING RATES

	%
Adam & Company	6.25
Allied Trust Bank	6.25
AIB Bank	6.25
●Henry Ansbacher	6.25
Bank of Baroda	6.25
Banco Bilbao Vizcaya	6.25
Bank of Cyprus	6.25
Bank of Ireland	6.25
Bank of India	6.25
Bank of Scotland	6.25
Barclays Bank	6.25
Brit Bk of Mid East	6.25
●Brown Shipley & Co Ltd	6.25
Citibank NA	6.25
Clydesdale Bank	6.25
The Co-operative Bank	6.25
Coutts & Co	6.25
Credit Lyonnais	6.25
Cyprus Popular Bank	6.25
Duncan Lawrie	6.25
Exeter Bank Limited	7.25
Financial & Gen Bank	6.5
●Robert Fleming & Co	6.25
Girobank	6.25
●Guinness Mahon	6.25
Habib Bank AG Zurich	6.25
●Hambros Bank	6.25
Heritable & Gen Inv Bk.	6.25
●Hill Samuel	6.25
C. Hoare & Co	6.25
Hongkong & Shanghai.	6.25
Julian Hodge Bank	6.25
●Leopold Joseph & Sons	6.25
Lloyds Bank	6.25
Meghraj Bank Ltd	6.25
Midland Bank	6.25
* Mount Banking	6.25
NatWestminster	6.25
●Rea Brothers	6.25
* Roxburghe Guarantee Corporation Ltd is no longer authorised as a banking institution.	9
Royal Bk of Scotland	6.25
Singer & Friedlander	6.25
●Smith & Williamson Secs	6.25
TSB	6.25
●United Bk of Kuwait	6.25
Unity Trust Bank Plc	6.25
Western Trust	6.25
Whiteaway Laidlaw	6.25
Yorkshire Bank	6.25

● Members of London Investment Banking Association
* In administration

UK GILTS PRICES

STOCK INDICES

FT GOLD MINES INDEX

	Dec 30	% chg since 31/12/93	Dec 29	Mkt Cap $bn	% of Gold Mines	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1976.78	-11.5	1983.51	48.39	100.00	2.22	2367.40	1762.82
■ Regional Indices								
Africa (16)	3191.21	-3.4	3187.94	16.41	33.92	4.40	3711.87	2304.45
Australasia (7)	2454.46	-7.9	2461.94	6.30	13.02	2.12	3013.89	2171.66
North America (11)	1544.55	-17.0	1555.77	25.68	53.06	0.85	2039.65	1417.00

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Dec 30 : 242.3; week's change: -6.6 points; Year ago: 257.7.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	4.89	98	$90\frac{1}{2}$	Asset Man Inv	87		-	-	-	-
-	F.P.	4,399.1	259	255	BSkyB	$256\frac{1}{2}$		N-	-	-	48.3
-	F.P.	39.3	64	43	Brit Assets Gth	64		-	-	8.4	-
-	F.P.	68.9	173	133	Clydeport	167		RN3.51	-	2.6	-
100	F.P.	19.4	103	96	Euclidian	97		-	-	-	-
-	F.P.	-	64	93	Fidelity Sp Val	92		-	-	-	-
$10	F.P.	37.2	625	615	First Russian Fr	620		-	-	-	-
100	F.P.	46.0	94	91	Fleming Nat Res	92		-	-	-	-
100	F.P.	29.4	109	$98\frac{1}{2}$	For & Col Emrg C	$102\frac{1}{2}$	$+\frac{1}{4}$	-	-	-	-
500	F.P.	216.5	510	490	Gartmore Mic Uts	508		-	-	-	-
-	F.P.	-	98	94	Hill Hire	100		-	-	-	-
80	F.P.	10.9	83	83	Hydro Intl.	93		RN-	-	-	33.8
120	F.P.	25.6	123	123	Innovative Techs	123		N-	-	-	-
-	F.P.		125	$80\frac{1}{4}$	Invest Capital	90					
100	F.P.	27.0	103	100	Kiln Capital	100		F4.0	-	5.0	-
100	F.P.	59.4	101	99	Leg & Gen Recvry	98		-	-	-	-
$3	F.P.	5.55	$3\frac{1}{2}$	3	MICE Group	$3\frac{1}{4}$		bN0.1	3.2	3.7	10.4
100	F.P.	42.5	94	82	Matheson Lloyds	85		-	-	-	-
100	F.P.	59.1	92	88	Murray Emrg Econ	91	$+\frac{1}{2}$	-	-	-	-
-	F.P.	14.7	145	138	RAP Group	138		RN4.85	2.1	4.2	10.9
175	F.P.	34.7	210	203	RM	208		N4.8	3.1	2.9	13.3
-	F.P.	5.53	109	101	Residential Prop	101		-	-	-	-
120	F.P.	63.5	144	120	SeaPerfect	129		-	-	-	-
182	F.P.	1,465.3	198	171	TeleWest	171		-	-	-	-
100	F.P.	17.8	102	102	Wellington Un.	102		-	-	-	-
-	F.P.	247.4	118	118	Woodchester Units	118		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
190	Nil	25/1	37pm	18pm	Cowie	36pm	-1
100	Nil	25/1	27pm	16pm	Division Grp	17pm	
120	Nil	6/1	18pm	15pm	Inspirations	15pm	-1
63	Nil	31/1	$1\frac{1}{2}$pm	$\frac{1}{4}$pm	MY	$\frac{1}{4}$pm	
37	Nil	3/1	5pm	2pm	OMI	2pm	
10	Nil	9/1	$\frac{1}{2}$pm	$\frac{1}{2}$pm	Tomorrows Leis	$\frac{1}{2}$pm	
25	Nil	10/2	$\frac{3}{4}$pm	$\frac{3}{4}$pm	Trio	$\frac{3}{4}$pm	
$7\frac{1}{2}$	Nil	3/2	$1\frac{1}{2}$pm	$\frac{1}{2}$pm	Verity	1pm	
90	Nil	9/2	15pm	4pm	Walker G'bank	11pm	

MONTHLY AVERAGES OF STOCK INDICES

	December	November	October	September
FT-SE Actuaries Indices				
100 Index	3026.6	3084.9	3046.8	3098.3
Mid 250	3447.3	3528.2	3496.3	3643.9
350 Share	1516.7	1548.22	1529.4	1564.2
Non-Financial	1622.39	1654.00	1639.72	1680.38
Financial Group	2134.40	2186.40	2137.44	2181.71
All-Share	1502.42	1532.70	1516.66	1553.97
Eurotrack 100	1333.34	1337.31	1317.95	1358.50
Eurotrack 200	1384.55	1396.82	1374.17	1405.56
FT-A World Index	170.85	174.74	177.11	177.99
FT Indices				
Government Securities	91.78	91.62	90.99	90.68
Fixed Interest	109.64	108.20	107.71	107.72
Ordinary	2327.92	2368.0	2342.3	2404.6
Gold Mines	1888.49	2031.34	2248.63	2230.08
SEAQ Bargains(5.00pm)	17831.05	24,186	23,105	25,608

	Highest Close Dec	Lowest Close Dec
FT-SE 100	3095.8 (28th)	2943.4 (12th)
FT-SE Mid 250	3506.1 (28th)	3372.4 (12th)
FT-SE 350	1549.4 (28th)	1477.0 (12th)
FT-A All Share	1532.64 (28th)	1466.1 (13th)
Ordinary	2381.0 (28th)	2265.7 (13th)

CONTRACTS & TENDERS

DEPARTMENT OF THE ENVIRONMENT

CALL FOR EXPRESSIONS OF INTEREST
THE QUEEN ELIZABETH II CONFERENCE CENTRE

The Secretary of State for the Environment invites expressions of interest from parties wishing to tender for the management of the business of the Queen Elizabeth II Conference Centre, London, in a market test to be conducted in 1995.

Located opposite Westminster Abbey, the Centre was opened in 1986 to provide secure facilities for national and international conferences up to the highest level. It has been managed as an Executive Agency of the Department of the Environment since 1989.

Following a recent review, the Secretary of State has decided to test whether the market could provide alternative management of the Centre's business offering better value for money. Bids will therefore be invited during 1995 for a contract to run this business.

The Secretary of State will be prepared to consider imaginative proposals for meeting two key objectives:

- to manage secure conference facilities; and
- to market the Centre commercially for both Government and private sector use.

Those wishing to participate in the competition are invited to obtain further information and a questionnaire about the nature of their interest by 16th January 1995 from Peter Barnes-Austin, Agency Sponsorship and Planning Unit, Department of the Environment, Room 6/72, St Christopher House, Southwark Street, London SE1 0TE. Tel. 071-921 4358 or Fax. 071-921 3873.

NOTICE OF REDEMPTION
INTERNATIONAL BONDS INVESTMENTS, LIMITED

International Bonds Investments, Limited hereby gives notice of a mandatory Event of Prepayment with respect to its 8.73% Senior Arg-One Notes due September 29, 1996 (the "Senior Notes"), and its Variable Rate Junior Arg-One Notes due October 6, 1996 ("the Junior Notes"). Subject to the terms and conditions of the Senior and Junior Notes, all of the Senior Notes will be prepaid, along with accrued interest, on January 5, 1995, and all of the Junior Notes will be prepaid, along with accrued interest, on January 18, 1995. Distributions to holders of the Senior and Junior Notes are expected to be made on January 10 and January 23 respectively. Holders of a beneficial interest in the Global Certificate representing Junior Notes or the holder of an Individual Certificate representing Junior Notes may elect to take delivery of the Portfolio Assets instead of cash by delivering to Euroclear and Cedel in Luxembourg and the Fiscal Agent, respectively, by tested telex at any time prior to 10:00 a.m. (Luxembourg time) on January 10, 1995 a completed notice indicating such election (an "Election Notice"). Copies of the form of Election Notice are obtainable from Euroclear, Cedel and the Fiscal Agent.

January 3, 1995
By: Citibank, N.A., Jersey Branch,
Fiscal Agent and Paying Agent.
CITIBANK

WORLD STOCK MARKETS

EUROPE

PACIFIC

NORTH AMERICA

AFRICA

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994/5, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Friday, December 30, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Pacific Metals	3.4m	548	-12	OKI Elec	1.7m	704	-28
Sakai Ovex	2.8m	752	-6	Matsushita E	1.6m	1640	+10
Konica	2.2m	840	+4	Toshiba	1.5m	723	+8
Nippon Soda	1.8m	767	-12	Mitsui Min	1.4m	444	-3
Nippon Steel	1.8m	375	+2	Mitsubishi Hvy	1.3m	760	+3

INDICES

				High		Low	
Turkey							
Istanbul Comp.(Jan 1986)	25081.3	27257.1	27784.6	29145.10	3/12/94	12980.70	24/3/94
WORLD							
MS Capital Int (1/1/70)$	618.5*	618.6	818.7	649.90	2/11/94	591.60	4/4/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	(c)	1333.22	1327.46	1540.18	31/1/94	1286.48	5/10/94
Euro Top-100 (26/6/90)	1177.35	1178.45	1171.51	1311.01	2/2/94	1138.48	5/10/94
JCapeDrgns (31/12/88)	(u)	(u)	303.29	395.19	5/1/94	285.49	12/12/94
Barings Emerg.(7/1/92)	(u)	158.04	155.47	191.79	26/9/94	141.65	21/4/94

Base values of all indices are 100 except Australia All Ordinary and Mining ... Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and ... NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 2 - 2079.19 -16.32.

US INDICES

Industrials ♥	547.51	549.86	548.94	583.10 (28/10/94)	510.05 (21/4/94)	583.10 (28/10/94)	3.62 (21/6/32)
Financial	41.41	41.59	41.55	46.94 (14/6/94)	38.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp	250.94	251.44	251.29	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	433.87	431.36	429.62	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	751.96	749.53	742.46	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Dec 23	Dec 16	Dec 9	Year ago
Dow Jones Ind. Div. Yield	2.78	2.80	2.88	2.67
	Dec 28	Dec 21	Dec 14	Year ago
S & P Ind. Div. yield	2.44	2.45	2.47	2.40
S & P Ind. P/E ratio	18.76	18.68	18.40	27.43

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	464.60	461.35	-3.25	465.45	461.05	26,337	203,018
Jun	-	465.75	-3.15	469.60	465.60	936	7,786
Sep	-	471.20	-2.80	474.70	470.80	86	2,201

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	1889.0	1875.5	-16.5	1905.0	1875.0	22,519	14,676
Jan	1898.0	1889.0	-12.0	1913.0	1885.0	23,778	17,141
Feb	1908.0	1899.0	-12.0	1915.0	1908.0	2	1,216

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
RJR Nabisco	8,063,000	5½	-⅛
Telefonos	6,095,900	41⅞	-1⅛
Wal-Mart	4,346,205	21¼	-⅛
Chem Bank	3,604,100	35⅞	-⅛
K Mart	2,616,500	13	-⅛
Ford Motor	2,429,200	27⅞	....
Health Sys	2,050,700	30½	+8½
Philip Morris	1,867,700	57½	+⅛
Gen Motors	1,804,200	42⅛	....
Chrysler	1,732,700	49	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Dec 30	Dec 29	Dec 28
New York SE	228.732	253.337	243.516
Amex	24.840	18.798	17.444
NASDAQ	(u)	259.700	235.024
NYSE			
Issues Traded	2,983	2,969	2,842
Rises	1,383	1,163	859
Falls	996	1,096	1,323
Unchanged	604	710	760
New Highs	62	38	36
New Lows	72	84	108

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close December 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅜	11⅞	AAR	0.48	3.6	24	238	13⅝	12⅞	13⅜	+⅞
10⅞	12⅛	A L Labs A	0.18	0.9	46	308	u19⅞	16½	19⅞	
78⅛	57⅞	AMP	1.68	2.3	22	906	73½	72⅝	72¾	-⅝
72¾	48½	AMR			113	2647	53⅛	52⅞	53¼	+⅛
3	3⅛	ARX			13	65	3⅞	3¼	3¼	
56⅛	38⅝	ASA	2.00	4.5	28	482	45⅞	44⅞	44⅞	-½
33⅞	25⅞	AbbotL	0.76	2.3	17	6145	33½	32⅝	32⅝	-⅞
15¾	11⅞	Abitibi Pr	0.50	3.7	12	325	13¾	13⅞	13⅛	
23⅞	17¼	ABM Ind	0.60	2.6	14	48	23¼	23⅛	22¼	-½
16	11⅛	Acptncoln			11	202	15	14½	15	+⅝
31	20¾	ACE Ltd	0.44	1.9	22	634	23½	23⅝	23⅞	+1
12½	0	ACM Gvt In	1.09	12.0	8	576	9¼	8⅞	9⅛	
10⅛	6⅞	ACM GvOpp	0.09	10.8		416	7½	7⅞	7½	+½
10⅝	8¼	ACM Gvt Sp	0.65	13.5		309	7¼	7	7½	-⅛
12	7⅞	ACM Gvt Se	1.00	13.5		607	8¼	8	8¼	+⅛
11¼	7⅞	ACM Man	1.60	13.1		199	6¼	6⅞	6⅞	
9¼	1½	ACM Managd	0.72	9.4		300	7⅞	d7½	7⅝	+⅛
15½	8¾	AcmeClv	0.44	4.2	21	51	16⅝	10⅞	16½	+⅛
13⅞	6½	Acme Elect			13	218	13¼	12⅞	12¾	-¼
33	23	Acordia	0.60	1.8	17	09	u33½	33	33½	+½
13¾	5¾	Actava	0.36	3.8	2	934	9⅞	8⅞	9⅞	+⅝
18⅞	11¼	Acuson			26	425	16⅛	18¼	16¼	
13⅞	15½	Adams Expr	0.65	4.4	0	770	15⅛	d15½	15⅛	
64	40½	Ad Micro	3.08	5.7		87	53⅛	52½	52½	-⅛
31¾	16¼	AdvMic	3.00	12.1	8	5850	25	24½	24⅞	+⅛
8⅞	3	Advest Grp	0.18	3.1	15	798	5⅞	5⅛	5¼	
30	15	Advo Inc	0.10	0.6	16	168	17¼	17	17¼	+¼
64	48⅞	Aegon ADR	1.47	2.3	12	7	63¾	63½	63½	
65¾	42¼	AetnaL	3.76	5.9	6	1127	47½	47	47⅞	-⅛
36⅛	25¾	Aflac	0.46	1.4	11	1177	33⅛	32	32	-⅞

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NYSE COMPOSITE PRICES

4 pm close December 30

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close December 30

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
ABS Inds	0.20	13	144	12¼	11¾	11¼	-¼
ACC Corp	0.12	11	808	74¾	74¼	14⅜	+¼
Acclaim E		14	13757	14⅞	13⅞	14⅜	-.30
Acme Mtls		8	552	18¾	18	18$\frac{1}{16}$	-$\frac{11}{16}$
Acxiom Cp		32	554	27¾	27¼	27½	
Adaptech		18	4796	23$\frac{15}{16}$	22⅞	23⅝	+¾
ADC Tele		34	1207	u50¾	49½	50	
Addington		6	92	8¾	8¼	9¾	
Adia Serv	0.16	18	281	36½	35¾	36½	+⅞
Adobe Sys	0.20	21	9539	31⅛	29¾	29¾	-¼
Advance C		10	313	13½	13⅛	13⅜	+¼
Adv Logic		126	335	4	3¾	3¾	-⅛
Adv Polym		8	2296	4½	4⅜	4⅜	-$\frac{1}{16}$
AdvTchLab		25	1318	18½	17¾	18½	+½
Advanta	0.37	16	7282	28	26¼	26¼	-1½
Affymax		14	354	17¾	17	17¾	+¼
AgnicoEa	0.18	32	825	11⅛	10¾	10$\frac{27}{32}$	
AirExpr	0.18	18	234	u20	18	20	+½
Akzo ADR	1.51	15	1056	58⅛	57½	58⅛	+½
AlxBld	0.88	13	626	22¾	22	22¼	-¼
Allegh &W		11	117	18½	10½	18½	+⅛
Allen Org	0.52	12	9	35½	35½	35½	
Allen Ph		3	1563	6⅜	6	6	-¼
AlldCapII	1.00	12	189	14	13½	73⅝	-⅜
Alld Cap	0.68	11	134	13⅛	12½	13⅜	+⅛
Aloette C	0.32	8	164	2	d1½	1½	
Alta Gold	0.06	57	403	1$\frac{1}{32}$	1⅛	1$\frac{1}{32}$	+$\frac{1}{32}$

Stock	Div.	P/ E	Sls 100s	High	Low
Dekalb Ge	0.80	12	32	26¾	26
Delchamps	0.44	18	137	16¾	15¼
Dell Comp		17	4714	42⅞	40¾
Dntply	0.30	27	830	31¾	31
Dep Gty	1.12	8	218	30¼	29½
Dewcon	0.20	9	44	8¼	8
DH Tech		16	34	24¼	23½
Dibrell B	0.80	18	375	20½	20
Digi Intl		10	2945	19¾	18½
Dig Micro		12	1394	20⅞	19⅝
Dig Sound		31	1569	2½	2$\frac{3}{16}$
Dig Syst		78	582	12$\frac{1}{16}$	11¾
Dionex Cp		16	102	37¾	37
Dixie Ym	0.20	33	614	7	d6¾
DNA Plant	2.25	1	3062	2⅞	2⅝
Dollar Gn	0.20	29	1869	30	29¼
Dorch Hsn	0.68	75	42	72	d11½
DrecoEngy		7	187	7⅞	7
DressBarn		14	1288	18¾	10½
Dray GD	0.24	103	215	34⅝	24½
Drug Empo	0.06	11	581	5⅝	5⅜
DS Bancor	1.09	18	168	22¾	22
Duriron	0.42	10	672	18	17½
Dynatech		12	614	u33½	32¾

Price data supplied by Telekurs

AMEX COMPOSITE PRICES

4 pm close December 30

FINANCIAL TIMES Tuesday January 3 1995

Brazil up, Mexico nervous

Stock prices in São Paulo were boosted by optimism following Sunday's inauguration of President Fernando Henrique Cardoso. The Bovespa index was 226 higher at 43,765 by 1 pm in low turnover of just R$45.6m ($54.1m).

In his first speech as presideot, Mr Cardoso reiterated his themes of greater privatisatioo and open markets to create a more equitable society.

Trading in São Paulo state bank Banespa and Rio de Janeiro state bank Banerj sbares was balted after the central bank intervened in the two institutions on Friday. Banespa and Banerj will now be under a "temporary special administration," under which the central bank will be in charge of running the banks for at least one year.

Mexico

Equities opened nervously ahead of Presideot Ernesto Zedillo's address to the nation, expected later yesterday.

The IPC index was down 35.40 at 2,375.66 in early trade with volume at 16m shares.

Renewed speculative pressure bit the peso in intraday trading, weakening the currency by 20 centavos against the dollar.

EUROPE

German stocks fall back 1.3% in low turnover

Activity on the Continent was very slow on the new year's first session. Paris and Zurich were closed.

FRANKFURT fell 1.3 per cent in minimal volume during the official session, with dealers noting that Friday's gain of 1.4 per cent had been prompted by the expiry of over-the-counter stock options and year-end window dressing.

The Dax index ended yesterday down 27.13 at 2,079.45.

With the exception of two stocks, Kaufhaus, up DM10 at DM740.00, and Metallgesellschaft, ahead DM3 at DM143.00, all other counters moved down. In the Ibis session the Dax closed at 2,079.19.

AMSTERDAM moved forward 2.25 on the AEX index to 417.19, as the dollar'e rise in the afternoon triggered late buying. Begemann, the engineering company, was in favour, up Fl 5.70 or 20 per cent to Fl 33.00 following the sale of assets announced before the weekend.

MILAN marked time in very quiet trading, as the market awaited developments later in the week when President Oscar Luigi Scalfaro begins a second round of consultations to resolve the present political crisis. The Comit index rose 3.43 to 635.91.

The president said over the weekend that a majority of parliamentarians were opposed to early elections, a view shared by many investors who would prefer to see an institutional government, headed by a non-political figure which, they believe, could provide the country with a degree of stability in the near term.

STOCKHOLM accelerated as investors indulged in new year portfolio building. The Affärsvärlden general index added 15.50 or 1 per cent at 1,486.30.

Turnover increased to SKr2.6bn from SKr1.9bn, with most of that arising from the purchase by PreussenElektra, of Germany, of 12m "A" shares in Sydkraft, the power generating company. Sydkraft's shares rose 4.2 per cent to SKr100.

Wall Street and Toronto were closed yesterday.

BRUSSELS closed marginally lower amid light volume. The Bel-20 Index lost 1.79 at 1387.85.

Cockerill Sambre added BFr3 at BFr199 with 33,000 shares changing hands, while Solvay rose BFr175 to BFr15,275.

VIENNA recouped early losses to finish little changed in thin trade. The ATX index was finally just 1.07 off at 1,056.31, with nine shares up, nine down and five unchanged. The all-share index firmed 0.32 to 429.96.

January ATX futures stood 3.70 up at 1,058.00.

Wienerberger Baustoffindustrie, the country's largest building materials group, was lower against the trend as the market corrected a Sch50 rise on Thursday to close Sch25 down at Sch3,845.

VA Technologie, the engineering and technology group, rose on news tbat it had reached an agreement to sell an engineering unit in Linz. The shares put on 1 per cent at Sch1,109.00.

WARSAW rose 2.7 per cent in stable turnover following a similar advance last Thursday.

The WIG index moved up 201.3 to 7,674.4 and the WIG-20 rose 2.4 per cent to 749.7.

The newly introduced parallel market index, the WIRR, rose 6.0 per cent to 1,059.5.

Turnover was stable at 39.5m zlotys.

A total of 44 issues advanced, three declined and two were unchanged.

Among the most active, Universal rose 8.7 per cent in turnover of 8.3m zlotys.

Buy orders in Agros, Mostostal-Warszawa, Optimus and Vistula were scaled down between 42 and 18 per cent due to excess demand.

ATHENS added 0.5 per cent in light trade.

With the market locked in the 850 to 880 range and turnover low, most analysts did not expect the market to make substantial short-term progress.

The general index gained 4.11 at 873.02 in turnover of DKr2.85bn on 1.2m shares traded. Construction stocks were particularly active.

Turnover fell after institutional investors ended their window dressing for the year-end and block trades were fewer.

ISTANBUL plunged 8 per cent as the US dollar firmed against the local currency.

The composite index shed 2,175.75 to 25,061.39 in turnover of TL2,100bn, the lowest since the end of October.

The inflation rate has also been worrying investors, with December data due on January 4. Eregli fell TL300 to TL3,200 and industrial conglomerate Transturk Holding TL225 to TL1,800.

Written and edited by John Pitt and Michael Morgan

Nairobi reopens to foreigners

Foreign investors allowed back into the Nairobi stock exchange yesterday, for the first time in 30 years, are not expected to rush into the market until foreign exchange control is scrapped and rules barring trade in foreign-owned companies are clarified, *Reuter reports*.

Investors from abroad were said to have expressed surprise at new rules preventing them from buying stock in companies with a majority overseas holding, unless bought from foreign shareholders. Any individual foreign investor will be allowed to hold a maximum of 2.5 per cent of the total capital that a Kenyan-controlled company has issued on the stock exchange, but combined foreign ownership will be limited to a maximum of 20 per cent of such stock.

The Nairobi stock exchange 20-share index has soared to abont 4,500 points from around 3,500 last month when the government said foreign investment would be allowed in the NSE. Economists expect the index to keep rising, buoyed by foreign funds for the first time since 1965.

Capitalised at $2.2bn, and witb 56 listed companies, the Kenyan bourse is the fourth largest in Africa after Sonth Africa, Morocco and Zimbabwe.

ASIA PACIFIC

Manila is lifted by demand for property and oil issues

Roundup

Asia Pacific trading was muted by new year bolidays throughout the region.

Tokyo, Hong Kong, Sydney, Wellington, Singapore, Seoul and Bangkok were among the markets that remained closed.

MANILA was lifted by demand for selected property and oil issues, ahead of a new round of exploratory drilling in the first quarter, and the composite index rose 12.40 to end at its intraday high of 2,798.21.

Among blue chips, Petron gained 1.2 per cent at 21.75 pesos and PLDT advanced 1.1 per cent to 1,375 pesos.

BOMBAY encountered mild buying by local investors in anticipation of a rise in the next few days wben foreign and Indian mutual funds become active. The BSE 30-share index added 5.19 points at 3,932.09 as brokers noted that the market traditionally rose ahead of the February national budget in anticipation of concessions to industry.

In the shorter term, analysts were unsure of the outlook, saying it depended on bow Prime Minister P V Narasimha Rao handled bis ruling party in regional elections next month, seen as crucial for the continuance of tbe radical reforms programme.

But the market expected a cabinet reshuffle ahead of the elections, which could force the government to announce a populist national budget.

JAKARTA edged ahead in very quiet trade as investors awaited the national budget statement on Thursday. The official index put on 0.5 at 470.14 in turnover of Rp23.18bn.

COLOMBO ended marginally higher on domestic buying in thin trade. The all-share index firmed 3.55 to 990.28. Turnover fell to SLRs36.47m. **KARACHI** saw selective buying of index-weigbted and speculative stocks, but trading volumes remained low in the absence of foreign and institutional demand. The KSE 100-share index rose 19.12 to 2,078.00.

● The government is to allow foreign companies to conduct life insurance business in Pakistan with immediate effect. Commercial Union, of the UK, has become the first with a $4m capital base.

HOW THE WORLD MARKETS PERFORMED IN 1994

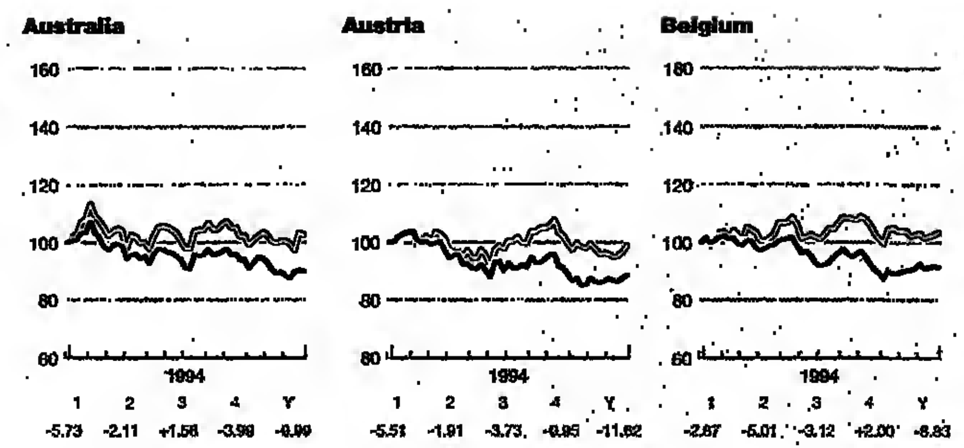
KEY

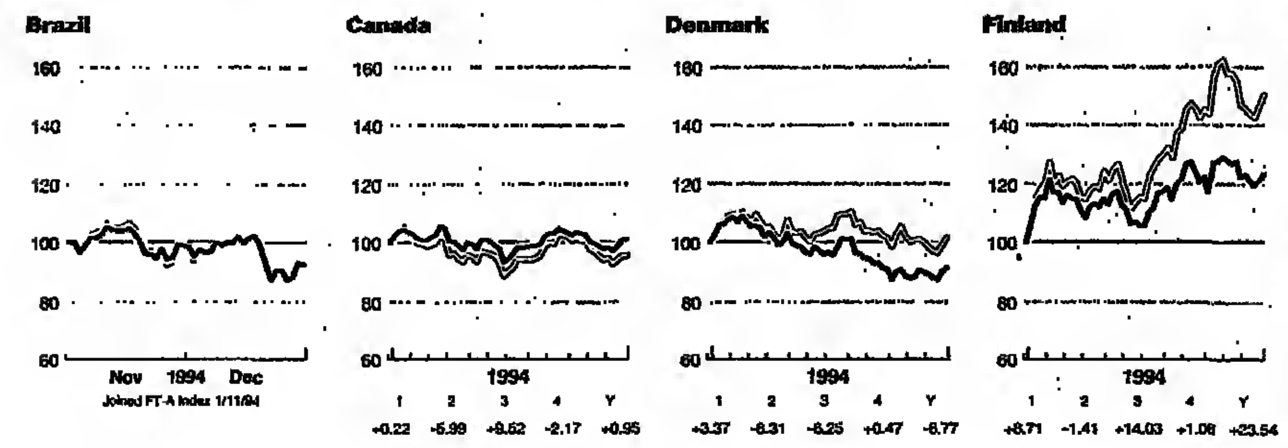
Local currency index

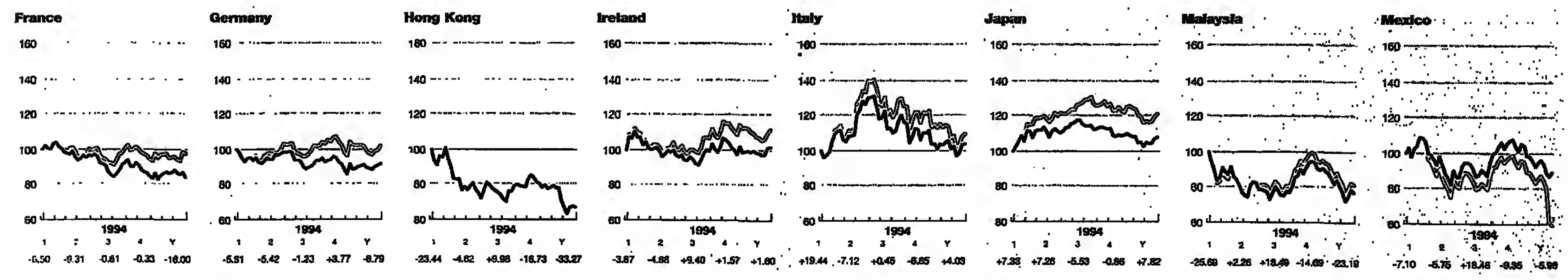
Dollar index

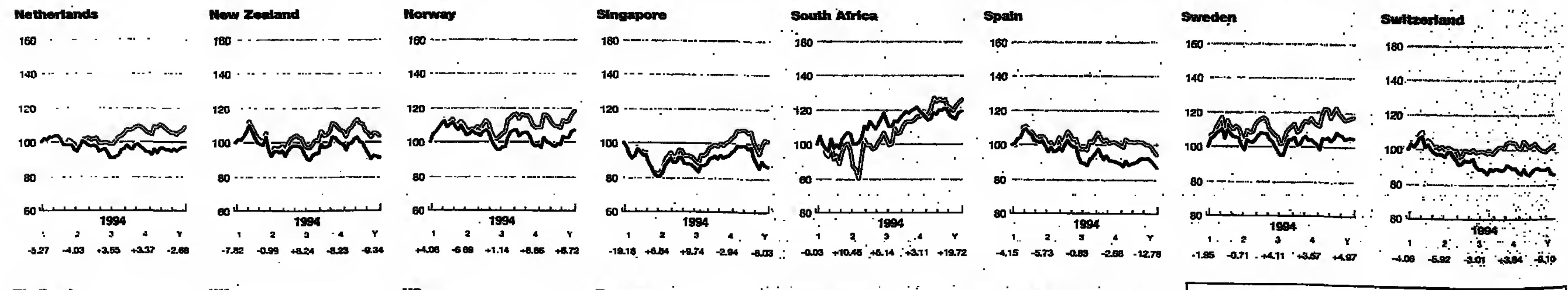
Figures below charts show: Quarterly and annual capital changes (%) in local currency.
1,2,3,4 = first, second, third, fourth quarter changes
Y = is the annual change

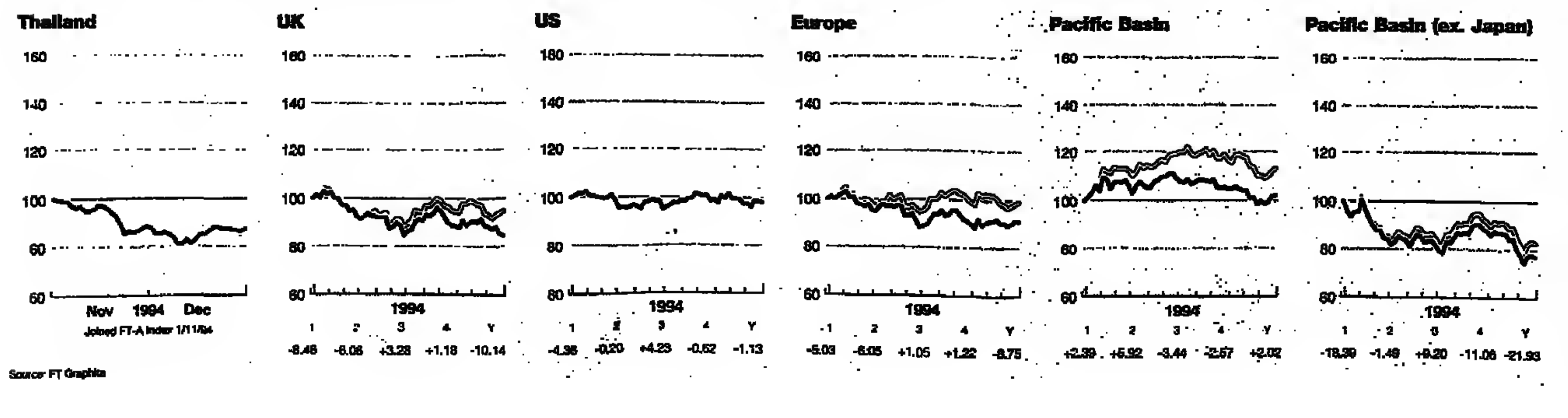
Source : FT-Actuaries World index. Figures jointly compiled by the Financial Times, Goldman Sachs & Co. and County NatWest / Wood Mackenzie, in conjunction with the Institute of Actuaries and the Faculty of Actuaries











Source: FT Graphite

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY DECEMBER 30 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY DECEMBER 29 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	171.64	-1.5	162.66	108.24	138.31	147.17	-1.3	3.81	174.21	165.61	108.77	140.45	149.14	189.15	161.21	166.02
Austria (16)	182.74	0.1	173.18	115.25	147.26	147.19	0.0	1.10	182.56	173.56	115.03	147.18	147.19	198.89	167.46	185.06
Belgium (36)	166.43	0.1	159.82	106.22	135.73	132.21	0.0	4.18	168.21	159.90	105.99	135.61	132.21	177.04	160.76	168.06
Brazil (28)	163.17	0.1	154.63	102.90	131.49	254.39	0.0	0.89	163.07	155.02	102.75	131.47	254.39	-	-	-
Canada (103)	129.39	0.4	122.62	81.60	104.27	131.43	0.1	2.63	128.92	122.56	81.23	103.94	131.35	145.31	120.64	136.42
Denmark (33)	251.81	-0.5	238.63	158.81	202.91	208.42	-0.5	1.43	253.00	240.51	159.42	203.87	209.54	275.79	238.61	248.39
Finland (24)	185.96	0.0	176.23	117.28	149.86	184.97	0.0	0.76	185.91	176.73	117.14	149.98	184.97	201.41	123.20	129.38
France (102)	163.55	-0.1	154.99	103.14	131.79	136.91	-0.4	3.13	163.65	155.57	103.11	131.93	137.49	185.37	159.34	177.26
Germany (58)	143.31	1.4	135.81	90.38	115.48	115.48	1.3	1.80	141.35	134.38	89.07	113.96	113.96	150.40	128.37	140.47
Hong Kong (56)	326.14	0.0	309.07	205.68	262.82	323.96	0.0	3.82	326.07	309.98	205.46	262.88	323.94	506.56	305.99	488.48
Ireland (14)	206.23	0.2	195.44	130.06	166.19	188.18	0.2	3.40	205.77	195.61	129.65	165.89	187.73	216.80	177.56	184.76
Italy (59)	75.29	2.3	71.35	47.49	60.68	81.22	2.0	1.74	73.57	69.94	46.36	59.31	89.39	97.76	65.87	86.53
Japan (468)	156.94	0.1	148.73	98.98	126.47	98.98	0.2	0.76	156.71	148.98	98.74	126.34	98.74	170.10	128.93	129.85
Malaysia (97)	479.37	0.3	454.29	302.32	386.30	471.43	0.1	1.79	477.76	454.18	301.03	385.17	471.06	621.63	430.71	571.18
Mexico (18)	1416.15	-1.3	1342.03	893.10	1141.18	7625.68	-1.3	1.34	1435.21	1364.36	904.31	1157.05	7728.24	2647.08	1199.49	2382.94
Netherland (19)	216.88	0.1	205.53	136.78	174.77	171.77	0.0	3.36	216.68	205.99	136.53	174.69	171.77	223.30	191.26	199.51
New Zealand (14)	70.45	-0.4	88.77	44.43	56.77	58.44	-0.1	5.01	70.77	67.27	44.59	57.06	58.49	77.69	62.06	67.48
Norway (23)	213.17	1.0	202.01	134.44	171.77	195.71	0.9	1.89	211.06	200.64	132.98	170.16	194.00	213.17	177.53	166.05
Singapore (44)	373.04	-0.4	353.52	235.26	300.61	250.64	-0.7	1.71	374.68	356.19	236.09	302.07	252.40	401.38	294.86	364.05
South Africa (59)	336.71	0.2	319.08	212.35	271.33	299.89	0.1	2.20	336.00	319.42	211.71	270.88	299.64	342.00	205.55	266.89
Spain (38)	131.96	1.9	125.05	83.22	106.33	131.59	1.6	4.40	129.44	123.06	81.56	104.36	129.47	155.79	128.44	137.88
Sweden (36)	231.11	0.8	219.02	145.76	186.24	254.35	0.7	1.57	229.29	217.98	144.48	184.68	252.62	242.81	196.37	198.98
Switzerland (47)	165.19	0.3	156.54	104.18	133.11	134.02	0.0	1.82	164.71	156.58	103.76	132.76	134.02	176.56	149.91	160.74
Thailand (46)	158.18	1.3	149.89	99.75	127.46	154.11	1.4	2.40	156.15	148.44	98.39	125.89	152.03	-	-	-
United Kingdom (204)	194.83	0.3	184.63	122.87	157.00	184.63	0.0	4.18	194.24	184.65	122.39	156.59	184.65	214.96	161.11	205.21
USA (513)	187.76	-0.4	177.93	118.41	151.30	187.76	-0.4	2.95	188.55	179.24	118.80	152.00	188.55	196.04	178.95	190.73
Americas (662)	174.21	-0.4	165.09	109.86	140.38	145.64	-0.4	2.89	174.89	166.26	110.20	141.00	146.43	-	-	-
Europe (709)	168.96	0.6	160.11	106.55	136.15	150.62	0.3	3.11	168.03	159.73	105.87	135.46	150.15	178.58	160.59	169.65
Nordic (116)	224.48	0.4	212.73	141.57	180.89	210.57	0.3	1.40	223.60	212.56	140.89	180.26	209.92	233.91	189.51	190.43
Pacific Basin (793)	164.30	0.1	155.70	103.62	132.40	107.93	0.1	1.15	164.18	156.08	103.45	132.37	107.76	176.86	144.51	144.51
Euro-Pacific (1501)	166.14	0.3	157.45	104.76	133.88	124.88	0.2	1.99	165.68	157.50	104.40	133.57	124.61	176.14	154.81	154.81
North America (616)	184.14	-0.4	174.50	116.13	148.38	183.87	-0.4	2.94	184.85	175.72	116.47	149.02	184.60	192.73	175.67	187.13
Europe Ex. UK (504)	151.35	0.7	143.43	95.45	121.96	130.42	0.5	2.49	150.30	142.88	94.70	121.17	129.77	158.12	144.12	147.46
Pacific Ex. Japan (325)	238.23	-0.4	225.77	150.24	191.99	208.47	-0.4	6.18	239.10	227.30	150.66	192.76	209.28	296.21	224.17	283.70
World Ex. US (1709)	167.31	0.3	158.56	105.52	134.82	128.50	0.2	2.00	166.87	158.63	105.14	134.53	128.26	176.66	157.01	157.01
World Ex. UK (2018)	170.96	0.0	162.01	107.81	137.76	142.95	0.0	2.14	170.97	162.53	107.73	137.83	142.99	178.59	163.59	163.59
World Ex. Japan (1754)	183.63	0.0	174.02	115.81	147.97	174.75	-0.1	2.98	183.68	174.61	115.74	148.08	174.97	195.20	178.34	188.34
The World Index (2222)	173.07	0.0	164.01	109.15	139.46	146.73	0.0	2.33	173.09	164.48	109.02	139.49	146.77	180.80	166.19	167.21

Latest prices were unavailable for this edition. Markets closed 30/12/94: Austria, Belgium, Brazil, Finland, Netherlands and Switzerland.

EXCHANGE RATES

1994	End 1st Qtr $	End 1st Qtr £	End 2nd Qtr $	End 2nd Qtr £	End 3rd Qtr $	End 3rd Qtr £	End 4th Qtr $	End 4th Qtr £
Australia	1.4257	2.1178	1.3723	2.1124	1.3514	2.1311	1.2879	2.0170
Austria	11.7600	17.4791	11.1600	17.2688	10.9200	17.2165	10.9000	17.0646
Belgium	34.4400	51.0811	32.6700	50.5480	31.9000	50.3979	31.9100	49.7961
Canada	1.3840	2.0524	1.3835	2.1323	1.3425	2.1153	1.4068	2.1946
Denmark	6.5744	9.7424	6.2294	9.6482	6.0960	9.5976	6.0950	9.5206
Finland	5.4142	8.1060	5.2807	8.1652	4.8688	7.6656	4.7470	7.4150
France	5.7110	8.4630	5.4405	8.4257	5.2900	8.3491	5.3640	8.3494
Germany	1.6713	2.4784	1.5885	2.4564	1.5513	2.4468	1.5625	2.4250
Hong Kong	7.7275	11.4722	7.7295	11.9901	7.7273	12.1858	7.7381	12.1046
Ireland	0.6971	1.0331	0.6542	1.0148	0.6418	1.0122	0.6476	1.0131
Italy	1611.89	2386.04	1576.99	2443.49	1580.62	2490.12	1626.00	2538.01
Japan	102.53	152.54	98.52	152.25	99.06	156.08	99.65	156.09
Malaysia	2.6730	3.9660	2.6045	4.0174	2.5635	4.0438	2.5600	3.9960
Mexico	3.3578	4.9846	3.3875	5.2284	3.3905	5.3625	4.8800	7.7062
Netherlands	1.8777	2.7862	1.7791	2.7650	1.7378	2.7405	1.7391	2.7149
New Zealand	1.7775	2.6413	1.6807	2.5927	1.6582	2.6187	1.5587	2.4440
Norway	7.2702	10.7830	6.9210	10.7189	6.7889	10.7045	6.7825	10.5823
Singapore	1.5683	2.3300	1.6285	2.3638	1.4830	2.3379	1.4620	2.2810
South Africa	3.4783	5.1673	3.6525	5.6374	3.5760	5.6244	3.5476	5.5420
Spain	136.88	202.08	131.04	203.13	128.48	202.76	132.37	205.94
Sweden	7.8242	11.6062	7.6588	11.8610	7.4734	11.7961	7.4618	11.6806
Switzerland	1.4120	2.0915	1.3335	2.0651	1.2882	2.0806	1.3120	2.0474
UK	0.6734	1.0000	0.6479	1.0000	0.6343	1.0000	0.6412	1.0000
USA	1.0000	1.4845	1.0000	1.5434	1.0000	1.5770	1.0000	1.5645